★ INTERESTING APPRAISAL OF MARKET TREND ★

The MAGAZINE of WALL STREET

and BUSINESS ANALYST

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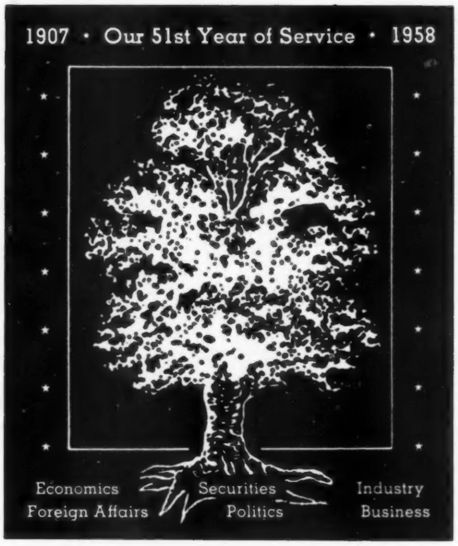
THE MAGAZINE OF WALL STREET

C. G. WYCKOFF, *Editor-Publisher*



The Trend of Events

WATCH FOR THE SIGNS . . . We have a way of attributing special psychic or extra-perceptive powers to individuals who seem to have better judgment than we have, when actually it is only because, when they look—they see something—while others look, but see nothing.

Thus, in a dynamic boom most people seem to think it will never end, and therefore fail to notice evidences of deterioration when they begin to set in. That is also true in a recession, where those who have failed to anticipate events are so floored that they are blind to the changes and the corrections taking place.

At this very moment, the first sign of correction is showing up in the great campaign launched to dispose of the enormous inventories that have been accumulating since 1955. Shortly we will know how effective the price slashes in home appliances will be in disposing of vast quantities of piled-up inventories of consumer durables, as well as other consumer goods that are being offered at cut-rate "extraordinary" bargain prices. This clearing of the shelves could bring an end to the mounting unemployment rolls, and put people to work as the machinery in factories the country over starts rolling.

As always, situations have a way of correcting themselves, and it took a sales impasse to launch the intense inventory disposal campaign—a step that had to be taken in order to clear away the under-brush and open the road to new ventures.

Another development that deserves attention is the increase in new orders, although still slight, for this is the life-blood of business activity, which is needed to start the wheels of industry going in important areas that are now slack.

And the basic steel industry too seems to be hitting bottom. As matters are developing, we could expect the steel rate to go up, or at least, stop falling, although an auto strike could block a pick-up.

But, after all is said and done, the demands of consumers and business for end products is a predominating factor. This is what we should watch—and where we should look now. But, in the meantime, let us use the recession to think things through, for a recession has always taught us the facts of life. It gives us a chance to set our house in order—and in making plans enables us to profit by our previous mistakes. We must work out our own salvation, for, after all, the surest way to get on the right road to future prosperity depends on the effort each one of us puts in to start the ball rolling. Even the government seems to be recognizing this truth — for public works are merely palliatives.

We call the attention of the reader to our Trend Forecaster, which appears as a regular feature of the Business Analyst. This department presents a valuable market analysis of importance to investors and business men. To keep abreast of the forces that may shape tomorrow's markets, don't miss this regular feature.

BUSINESS, FINANCIAL *and* INVESTMENT COUNSELLORS::1907—*"Our 51st Year of Service"*—1958

As I See It!

By J. J. BUTLER

GIVE-'EM-HELL HARRY

AT a time when we should all be working together, and when we are looking for statesmanship rather than political bossism from a former president of the United States, Mr. Truman resorts to negative attack. Nor does he make any constructive contribution as to ways and means for solving our tremendous problems. He only criticizes vitriolically.

Possibly he prefers to have history speak of him as "Give-'em-Hell Harry", rather than as one of the nation's great leaders. But then again, maybe he doesn't know the answers—for we were fast running into a depression when the Republicans took over, and one of the first steps was an across-the-country expansion organized by industry that started the boom which lasted until 1956. I say this as an independent, without either Democratic or Republican affiliations. I vote for the best man always.

The millions who listened to Harry S. Truman's latest political demagoguery had no difficulty in recalling a similar partisan attack on Adlai Stevenson at the Democratic Presidential Convention in Chicago, when Truman was backing Governor Harriman of New York. His party discarded his ideas at that time—and so will the people of the United States today—who will show the common sense to choose those best fittted to serve them in this crisis—because neither the Republicans nor the Democrats have a monopoly on the best brains.

Thus, to the listeners-in to the Democratic fund-raising dinner it must have been obvious that here is a man who fails to recognize the clear distinction between forceful advocacy and unpardonable venom. What is most unfortunate about unbridled and undocumented criticism, is the stark fact that these times are too crucial to tolerate a program of destruction from within, regardless of its source. We cannot destroy confidence in the Government without destroying its effectiveness. And among other institutions, political parties must assume responsibility for the damage their spokesmen wreak.

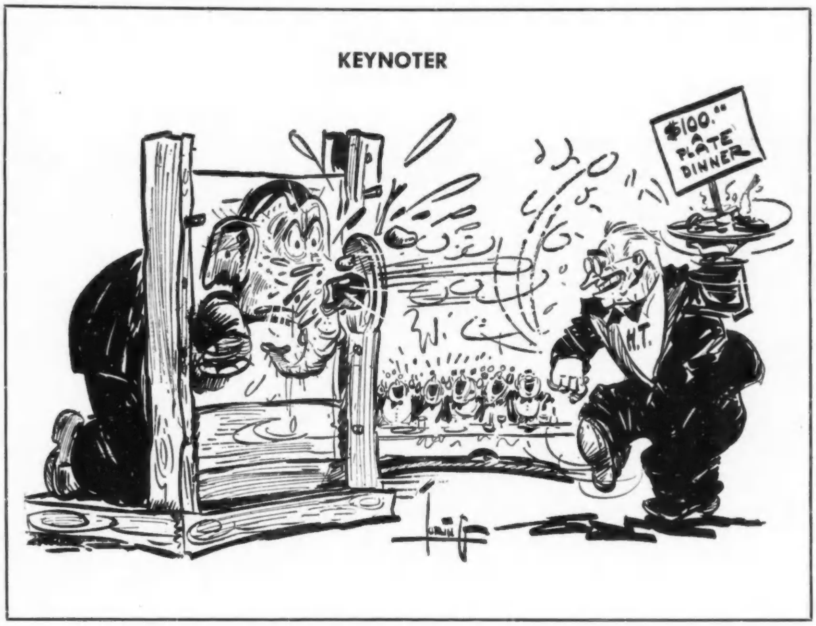
It is a pity Mr. Truman should have passed up the opportunity for greatness. Present was the form but not the substance that runs through the history of presidents who came from humble beginnings to reach greatness—or if they failed to write outstanding pages in history, at least they displayed the personal dignity to live out respected lives as elder statesmen. Truman chose to become a belligerent, noisy, reckless gadfly.

He has not had the graciousness to yield to the expressed desires of the people of the United States, or even to the rank-and-file of his own party. He rejected his fellow party man, Adlai Stevenson, in the face of overwhelming convention support. He didn't merely express preference for another; he blasted Stevenson with fury typical of a Kansas City precinct leader! Adlai met party standards. His sin was failure to fit into Truman's personal specifications. So Truman utilized the prestige of a former Presidency and the publicity outlets that status entails, to sledge a fellow man. If he needed no more

excuse than that to justify assault within his party, how understandable it is that this type of man would ignore all the rules of fair combat to torpedo national unity because it was being achieved under the leadership of a political foe!

The times are too crucial, we would reemphasize, to permit a program of wanton destruction from within. Harry Truman cannot destroy confidence in the Government without destroying his own party. It seems strange that this obvious result doesn't register more emphatically upon the democratic leadership, which must take responsibility for his methods and his utterances.

We wonder, after re-reading Truman's latest offensive barrage, upon what meat does Little Caesar feed that he has grown so strong? Is President Eisenhower to be criticized because 65,011,000 members of the civilian labor force were employed on average in the last calendar year, as against 61,035,000 employed in the last year of the Truman Administration? Is it sinful to add 4 million weekly pay envelopes to the nation's purchasing power, as has happened in the present Republican Administration? Is an increase from $345.4 billion in the Gross National Product in Truman's last Presidential year, to $434.5 billion last year something that Harry should be condemning? Or should he be rejoicing with his fellow men? We are taking one of Truman's best years and comparing it with one which witnesses a business slackening—but which do *you* like better?



The Gross National Product in 1957 was 5 per cent higher than in 1956. The flow of personal income was correspondingly larger in dollar terms, and this gain represented advances in the real purchasing power of individuals. The rise in income was largely concentrated in wage and salary disbursements, which rose both absolutely and in relation to total income flow. Harry Truman blats a message calculated to set citizens against citizens, have's against have not's, but the cold calculations of the U.S. Bureau of Labor Statistics show corporate profits didn't share comparably in the 1957 income increase.

Statistics can be tolled off in seeming endless stream. Progress has been and is being made. But it is impossible for a statistic to drown out a loud demagogic generality.

If economic history over the past quarter-century is scanned, this interesting fact comes into focus: Franklin D. Roosevelt may be best remembered first—as a great personality, and for his courage and gallantry in overcoming tremendous physical handicaps and rising to the heights—and, economically, for instituting the Keynes' method as an artificial stimulus to business. But it is clear that in his other activities he was, as he frequently said, using the writings of his namesake, Republican Theodore Roosevelt, as his guidebook. Many of the strongest economic props relied on today are recognized as Theodore Rooseveltian.

If Harry Truman added anything real to the structure of business and industrial stability during his eight years in the White House it escapes notice. The country, businesswise, vaulted over Harry's years to the more receptive soil of the Eisenhower Administration. Truman supplied many headlines, fought and won many Executive Department brawls, fired and hired, played a good hand of poker and less-than-good piano, and retired. Not to a retirement such as Herbert Hoover's, which is a dedication to public service in such roles as head of the Commission on Government Organization. No, Truman chose a retirement which developed dangerous sapping of national unity by casting suspicion and reckless charges against honest public servants. Meanwhile he offers no substitutes, no better methods—no methods at all.

There has been tolerant amusement with his antics but even the circus must come to an end, fold its tents and steal away. Another democrat had the key that might be used to end Harry Truman's hippodrome performance: "Let's look at the record," said Al Smith.

The responsible leaders of the Democratic Party must realize that Harry Truman may be a political handicap to their hopes for victory in the Congressional elections. Truman's type of campaign oratory may alienate rather than attract votes.

Interesting Appraisal of Market Trend

Average stock prices rose moderately over the last fortnight. However, the industrial and rail averages remain in restricted trading ranges. They might well continue to do so for some time to come. The turn from recession to business revival seems unlikely before at least the fourth quarter. We still advise a conservative, selective investment policy.

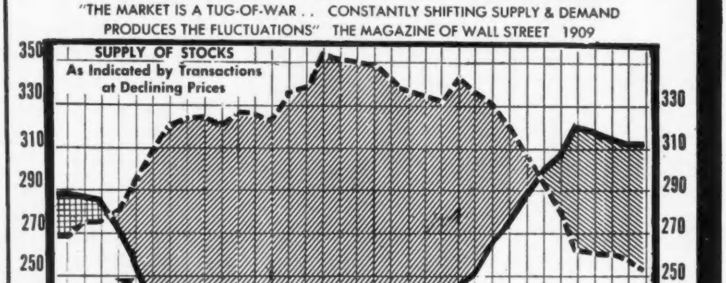
By A. T. MILLER

A wag once said, with some poetic exaggeration: "Stocks are neither high nor low, 'tis only thinking makes them so." Put more precisely, investment-speculative sentiment, which is to say the consensus of hopes or fears for the future, governs the direction and level of stock prices at any given time; and is not infrequently at variance with the statistics of business activity, earnings and dividends.

The technical market factors, too, have much to do with the trend of prices. Only two weeks ago the report on short selling showed a total of 3.9 million shares, the largest short position since 1932, and part of the recent market rise may have resulted from a run against the shorts – although the lowering of the discount rate–and other steps to ease credit were partially responsible.

Thus, sentiment has recently become more hopeful, and that is pretty much the story of the current market. Whether the basis therefore is sound or fanciful is debatable; and whether the moderate psychological lift can be maintained is conjectural, if not doubtful. Hopes need something to feed on, whereas the prospective nourishment from here at least through the third quarter of the year looks rather skimpy to us.

The over-all downtrend in industrial stock prices has been suspended since last October, that in rails since late-December. Both have had intermediate recoveries within normal technical limits. Thus, the market remains a selective, trading-range affair, with the underlying trend, if any, unclear. There has been no decisive change in the pattern sketched here a fortnight ago. To review it briefly, the industrial average rose roughly 39 points to the February 4 rally level, after a prior fall of 101 points, fell 22 points to February 25 and subsequently rallied about 15 points before slowing down in the wake of profit taking, and reduced demand, in the final trading session last week. The average is working into a "corner", between the best and poorest February levels, suggesting probability of some extension of one or the other within nearby weeks.

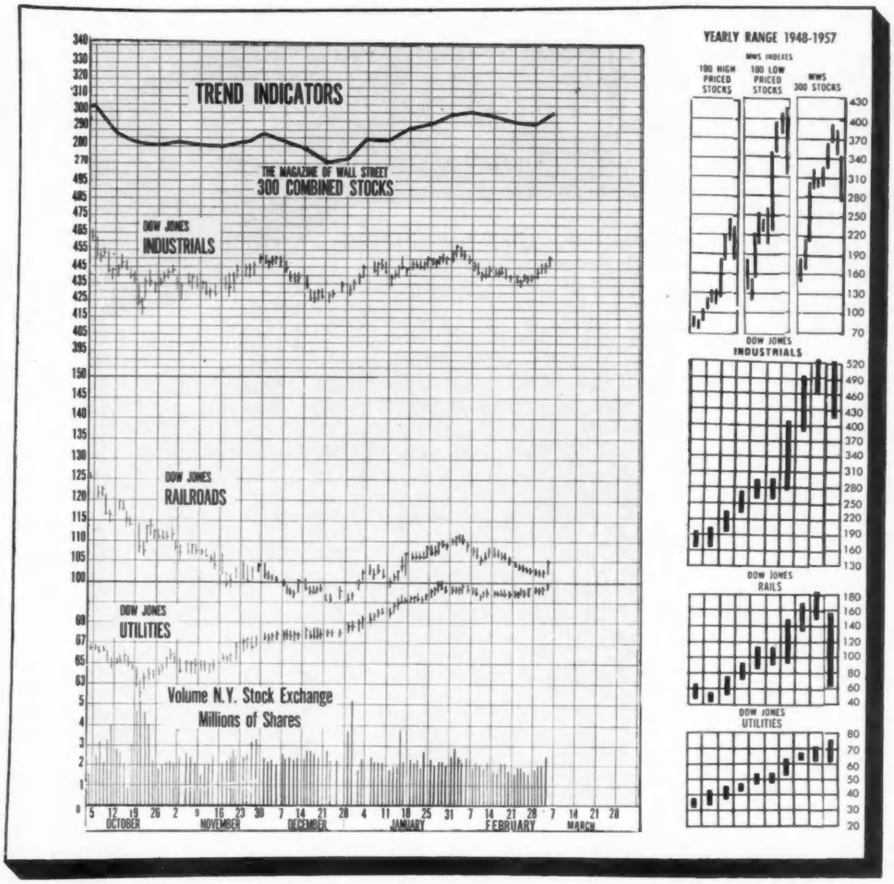


Rails and Utilities

Rails remain far down in their 1956-1957 range, even though a fairly comfortable distance above the December low. The utility average edged nominally higher over the last fortnight to a level less than 2.4% under its bull-market high of last May. Were the natural gas stocks excluded from it, the showing would be better. Electric utilities, and other investment-grade income stocks in relatively stable industries, continue to account for most of the new highs being attained by individual issues.

The performance of industrials and rails remains better than business news generally. That is not too notable, since it was worse than the news throughout the decline from the mid-1957 highs as

the market made allowance for the shrinkage in business activity and corporate earnings which has since become visible. Whether full allowance was made at the lows heretofore seen is still an open question. The answer depends on whether the recession is now close to its bottom, in line with current investment thinking. It may well be, although Spring developments will bear watching. Even if the worst, or nearly so, has been seen, upside potentials, for business and the market, could be restricted for some time ahead.



Sentiment has been bolstered by ability of some of the most depressed stock groups to hold up in the face of drastically-reduced earnings and a number of dividends cuts. Coppers, rails and steels are examples. That they had been over-sold on an interim basis is clear. That they have been fully sold out, which is a different matter, is not so clear. No doubt short-covering has figured considerably in the recent rallies in these and other groups with below-average medium-term earnings prospects, including oils.

The business situation and outlook are being "talked up" by the Administration, viewed with professed alarm by the Democrats in Congress as they cook up "pump-priming" plans. It should be obvious that business cannot be talked into a revival; and neither public works nor a tax cut can provide a magical, quick-working remedy. Either or both would figure to add to eventual inflationary pressure, probably after a business recovery had already begun.

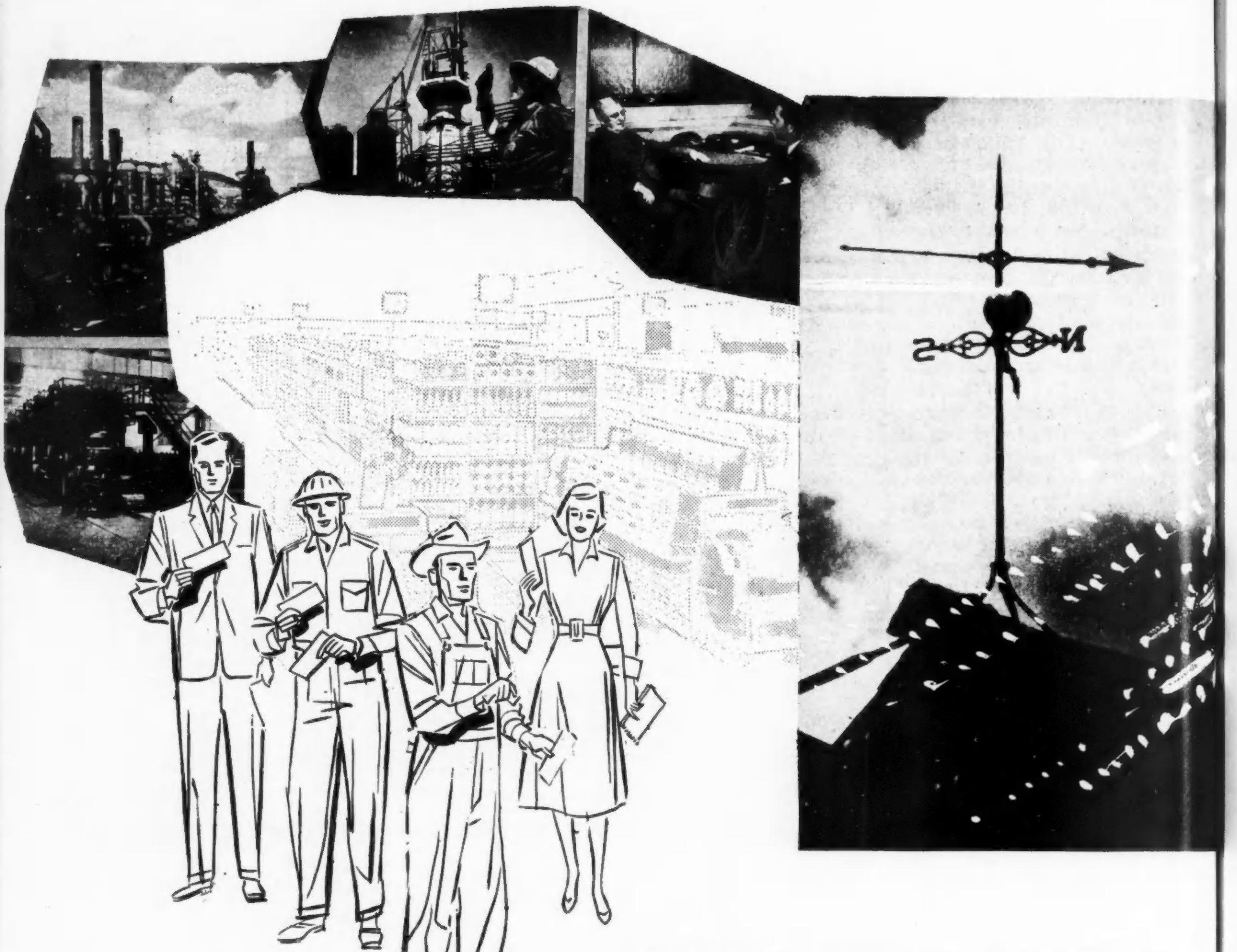
There are limitations also on the effectiveness of Federal Reserve credit-easing moves, which were extended to another cut in discount rates last week. The reality here is that you can make more water available to a horse, but you cannot make him drink. On the whole, banks have ample lendable funds—and have had for some time—but loan demand is reduced. It does not make too much difference to a business concern whether it borrows at 4% or 3%. Roughly half of the charge is deductible from taxes anyway; and the controlling consideration is whether management thinks it can or cannot put bank loans to profitable use. The same applies to long-term capital financing in the securities market. It is bound to shrink, in line with outlays for new plant and equipment, regardless of easing money rates. The latter tend to lift prices of bonds already in the market, adding to the investment appeal of income stocks while having little effect on the course of business activity.

Business Upturn Ahead?

We do not know how many investors are looking for some second-quarter betterment in business, as a result of Administration talk and optimistic newspaper headlines; or who expect too much too soon from promised Government action to combat the recession. It appears to us that second-quarter business will do well to approximate the first-quarter level, and that it could be a bit lower. We see no promise of significant improvement in the normally slack summer period. That leaves possibility of a revival starting in the fourth quarter, with basis for it not clearly defined at this time.

The recession centers in reduced business spending for inventories and expansion of facilities; and in curtailed demand for consumer durable goods, particularly automobiles. Inventory liquidation probably will continue at least through the first half. Plant expansion outlays will trend down at least into 1959. A reversal of the trend in consumer durables is not in sight, and could be delayed longer than the optimists expect. Two barometric indicators—manufacturers' new orders and new contracts for construction—have continued to point downward.

For the stock market at this level, the alternatives may be neither a big fall nor a big rise. Sometimes, between sunshine and (*Please turn to page* 774)



IMPACT of the SEVERE WINTER on BUSINESS and PRICES

— And affect of an early Easter and a late Spring — at this point of recession

BY J. ROGER WALLACE

THE full impact on our somewhat unsettled economy of the excessively severe Winter of 1957-58 may prove to be considerably greatly than generally anticipated.

Much emphasis recently has been placed on the fact that sensitive commodity price indices—and also the general wholesale commodity price index—have strengthened despite steady contraction in business activity and mounting unemployment.

This seeming paradox—since declining rather than rising commodity price indices customarily have been associated with business recession – is being construed in some quarters as a straw in the wind pointing to early business recovery. For, it so happens that the index of sensitive commodity prices is one of the handful of "leading" business indicators.

Oddly enough, and undoubtedly because business men and economists alike are concentrating on the search for favorable indications, scant consideration appears to have been given the fact that such price strength as has developed in certain commodities, has been due almost entirely to the effects of the unusual Winter, rather than to economic factors.

It should be only too obvious, of course, that no significance can be attached—from the standpoint of "forecasting" the general business trend—to price advances that happen to be the result of unusual

weather conditions. This points up once more the dangers inherent in the use of mass data as economic guides.

For, analysis in detail would reveal readily that, while prices of certain commodities or materials affected by the weather have been rising, downward pressure has persisted on the majority of primary industrial materials.

Such significance as the more sensitive commodity prices may have as forecasters of the general business trend is due to their tendency to reflect shifts in general demand schedules long before they become apparent in other published data.

Plus and Minus Price Action

And, insofar as general demand schedules are concerned, the unusually severe Winter already has wreaked tremendous damage to consumer income and mass purchasing power that are likely to be felt for months to come.

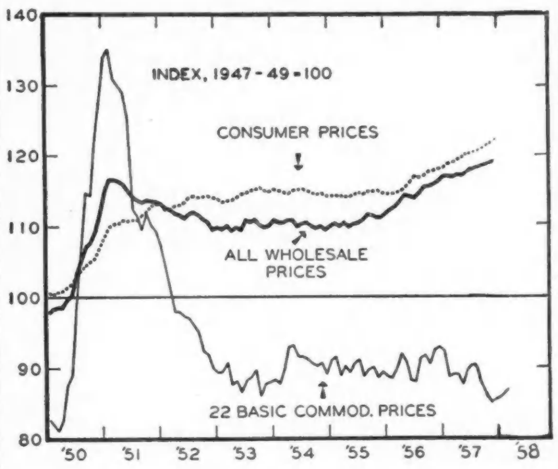
In the final analysis, the most severe Winter in many years is more likely to prove to be a price depressant than a price stimulant. The economic damage, as it unfolds, is likely to outweigh by far the stimulus of a somewhat transitory nature given to a limited number of commodities.

Extremely cold weather, reaching far down into the South, has cut sharply into the anticipated production of fruits and vegetables. Prices of these have shot upward.

In the West and elsewhere, the movement of cattle and hogs to market has been impeded by deep snows and exceptionally cold weather, with resultant sharp advances in prices of meats and meat animals. Grazing conditions have deteriorated, forcing livestock growers to use more feeds, thereby strengthening feed prices. Collection and preparation of steel scrap has been hampered by adverse weather conditions, to such an extent that prices stiffened in the face of contracting steel mill activity and extremely slow demand for scrap. This important factor has been overlooked by those who consider the price of scrap steel to be an important "indicator".

Inevitably, the sharp advances in prices of such a number of commodities have served to strengthen sensitive commodity price indices.

*Divergence Between Broad Price Indexes and 22 Basic Commodities**



*Dept. of Labor price indexes.

Short and Long Range

Price strength as a result of the unusual Winter weather has not been confined to the sensitive commodity groups. For instance, the sudden upsurge in demand for home heating oil cut sharply into burdensome oil stocks and reversed the previous easing price trend.

The extreme price strength provided to certain foods as a result of the worst Winter in years is "temporary".

By late Spring or early Summer, more ample supplies will become available.

As the Spring progresses, increasing attention is likely to be given to the unfolding depressing aspects of the Winter of 1957-58. It has been estimated in some quarters that the economic loss will run into several billion dollars, a truly severe blow when a general business recession is under way.

The losses by farmers as a result of crop damage are only part of the story.

Florida, for instance, has been hurt badly both going and coming. In addition to heavy crop losses, the Winter vacation and tourist business was shot to pieces by unseasonably cold weather. Land values, booming for a number of years, are reported to have turned downward.

Inevitably, the poor season in Florida has resulted in reduced employment and smaller income there.

Smaller Payrolls

But, employment and income in other parts of the country also have been hard hit as a result of adverse weather conditions.

To be sure, there is no way of knowing just how many new automobile sales have been lost as a result of the severe Winter. But, we do know that roads blocked with snow for extended periods and extremely cold weather are not conducive to automobile sales, and it is safe to say that some of the very high unemployment among auto workers reflects unfavorable weather conditions.

Sheer inability to get to work, often for a number of days, resulted in big dents in the pay of many industrial employes. It is not at all unusual, it will be remembered, for numerous workers to drive anywhere from ten to fifty miles to the factories where they are employed, and back home again.

The very cold weather and heavy snows hit construction hard, bringing activity on many projects to a complete standstill. Some construction workers lost as much as several weeks pay as a result.

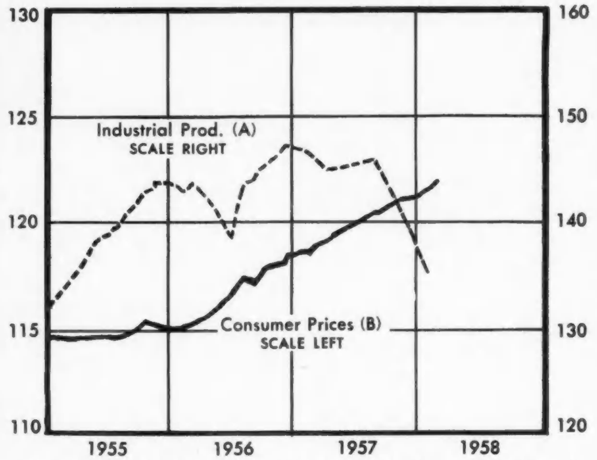
Retail trade has suffered severely. During one week in February, following very heavy snowstorms in the East, department store sales for the entire United States dropped 18 percent under the corresponding week last year. The losses ran as high as 55 percent, for Baltimore! For the month of February, department store sales were 7 to 8 percent under February last year, which was not a good month for business.

Layoffs of employes have been reported in department stores and other retail establishments. The

failure of retailers to move goods in line with expectations has curbed new orders to manufacturers, and has affected or will affect industrial activity and employment in a number of lines.

All told, the total losses to business and to consumer income have been serious, particularly at this critical economic juncture. If business activity had been booming, we could have taken these losses in our stride. As it is, however, there is a distinct possibility that the abnormal Winter of 1957-58 has been an important factor in touching off a downward spiraling of the current recession.

Industrial Production versus Consumer Prices



(A) FRB Index 1947-1949 = 100 (B) Dept. of Labor Index 1947-1949 = 100

Income Down, Living Costs Up

Usually, during periods of business recession and reduced consumer income, prices of foods and numerous other consumer goods decline. Consequently, the impact of lower income is softened for consumers.

This time, however, living costs have continued to rise, owing in large measure to the effect of weather conditions on prices of meats, fruits, and vegetables. The Bureau of Labor Statistics recently reported its Consumer Price Index (commonly known as the cost-of-living index) at a new all-time high.

Home heating bills recently have been tremendous, owing to the extremely low temperatures. Some home owners in the East maintain that, during the worst of the Winter, they used as much oil in a single week as they had used in a month in other, milder Winters.

Meanwhile, the costs of the numerous consumer "services" have continued to mount, adding to the pressure. Contrary to the general impression, most services are necessities.

During periods of business recession and declining disposable income in the past, the percentage of income spent on services of necessity has risen considerably. The trend has been upwards for a number of years, and the rate undoubtedly is being accelerated this year.

With current operating costs so high, the ability of consumers to purchase goods has been reduced even more than the declines in total disposable income would indicate. In the final analysis, the production and sale of goods motivate the entire economy.

Recent Movements of Price Indexes and Individual Commodities

	Unit or Base	February 1957	December 1957	January 1958	February 1958
BLS WHOLESALE PRICE INDEX (a)					
Composite	1947-'49 = 100	117.0	118.4	118.7	119.1
Farm Products	1947-'49 = 100	88.8	92.6	93.6	96.9
Processed Foods	1947-'49 = 100	103.9	107.4	108.8	109.5
Meats	1947-'49 = 100	81.9	95.5	100.7	102.7
All Other Commodities	1947-'49 = 100	125.5	126.0	126.0	125.8
BLS DAILY INDEX (a) ("Sensitive" Commodities)					
22 Commodities	1947-'49 = 100	88.7	84.6	84.6	85.7
Foodstuffs	1947-'49 = 100	80.7	84.7	86.6	88.4
Raw Ind'l. Materials	1947-'49 = 100	94.5	84.4	83.1	83.7
INDIVIDUAL COMMODITIES (b)					
Beef Cattle (a)	100 lbs.	$14.90	$18.70	$19.70	$20.60
Hogs (a)	100 lbs.	16.30	17.90	18.50	19.70
Lambs (a)	100 lbs.	18.40	20.50	21.60	22.00
Oranges (a)	box	3.26	1.23	1.34	2.25
Potatoes (c)	100 lbs.	1.41	1.61	1.76	2.12
Cabbage (d)	100 lbs.	2.10	1.90	2.70	4.30
Tomatoes (d)	100 lbs.	5.80	8.60	12.90	12.70

(a) Date closest to middle of month.
(b) Average prices received by farmers.
(c) Monthly average.
(d) Average price—1st to 15th of month.

Weather Threat Continues

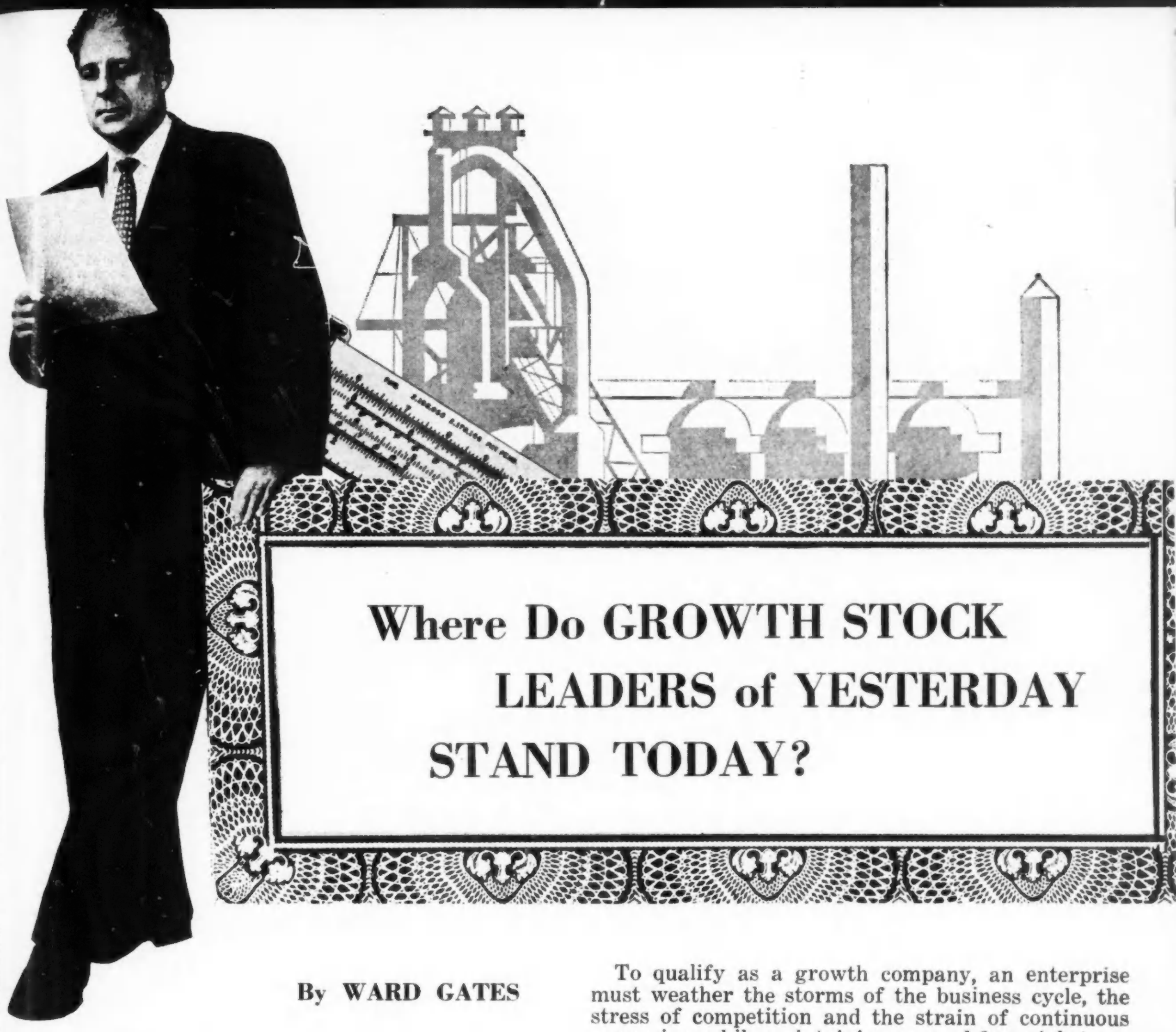
The worst of the Winter undoubtedly is past, but the weather this Spring will have an important bearing on business. We can only hope for an early Spring although, in view of the freakish weather of recent years, this may be too much to hope for.

An early Easter such as we have this year, April 6, always has been a hazard to retailers of apparel lines. A late Spring and an early Easter create a double hazard. Other merchants also are adversely affected by a late Spring.

What happens to soft goods now is particularly important. Thus far during the recession, most soft goods lines have held up fairly well although some decline in the rate of soft goods manufactures has been reported during the past few months. The decline would tend to accelerate if apparel sales at retail this Spring fail to show as much seasonal improvement as usual.

Retailers claim that business once lost is lost forever, and there is much to this even though it is not entirely true.

Well maintained retail trade and residential construction a little larger than last year are the two primary "hopes" for preventing the business recession from (*Please turn to page* 772)



Where Do GROWTH STOCK LEADERS of YESTERDAY STAND TODAY?

By WARD GATES

IN the past, the rewards from investment in outstanding growth stocks have been truly fabulous. Therefore, it is no wonder that investors continue their search for the growth issues of the future. However, during this period of industrial transition, with its rapid and revolutionary changes in processes and products, great care must be taken in selecting stocks for growth, as many of even our established companies are in a state of change or flux.

In the light of market conditions and the business recession, this article will appraise a number of growth stocks which investors have purchased in the past and are still holding today, often for the same reasons as at the time of their original commitment, although so many changes have taken place that it is well to see where these issues stand today and to reexamine their future prospects.

At current prices, some stocks may be viewed as still over-discounting their growth possibilities for years to come. In other instances, growth appears to have come to a halt, at least temporarily. In certain cases, the outlook for 1958 and looking to 1959 is sufficiently favorable to merit retention of such issues or purchase on the dollar averaging plan.

To qualify as a growth company, an enterprise must weather the storms of the business cycle, the stress of competition and the strain of continuous expansion, while maintaining a sound financial structure. It must frequently introduce new processes or products, or develop new uses for existing products. To do this, it must spend large sums on research. Further, rapid growth usually requires reinvestment in the business of a great part of earnings. Elements of growth are often found where labor costs are low. Above all, management must be able and alert and policies must be progressive.

In the accompanying table, we have shown the record of 33 stocks, with their 1953 prices, subsequent highs and recent prices, together with pertinent statistics. A glance at these figures is sufficient to show that, while a few issues have continued to perform better than the market averages, others, which far-outstripped the market on the advance, have now sustained severe setbacks. In a number of instances, these issues had advanced too rapidly in price on expectations of growth that proved over-optimistic. In certain cases, growth appears to have come to a halt, at least temporarily. Therefore, for each company, it is necessary to weigh carefully the factors that make for future growth, as distinguished from the forces of expansion or contraction inherent in the general economy. Further, it is

well to remember that in bull markets most stocks tend to sell too high, regardless of the fundamentals, just as even the best issues tend to sell too low in bear markets.

With this in mind, it can be said that a growth stock should perform better than the market in general and may be expected to do so, if its prospects continue favorable.

In this connection, there are some issues where growth in sales and earnings has been so outstanding over a long period of years, and where the outlook is generally recognized as so favorable, that they continue to command a market premium by both institutional and individual investors. In other words, these stocks, notwithstanding the decline in the market since last year, continue to sell at unusually high price-earnings ratios and low yields. To determine whether these high premiums have a sound basis in exceptional earnings-dividend potentials—or merely reflect "overbulled" situations—is a prime objective of our reappraisals at this time.

Minnesota Mining & Manufaturing is an example of an enterprise with an outstanding record of growth. The company's earlier success was due, in great part, to development of Scotch brand pressure-sensitive tapes. It has broadened its line of products over the years. The company now makes abrasives, adhesives, coatings, roofing granules, electrical products, reflective sheeting, duplicating materials, chemicals, plastics and other products. Large sums are spent on research. Close to one half of current earnings is derived from new products introduced in postwar years. Earnings amounted to $1.4 million in 1929, $3.4 million in 1937, $11.7 million in 1947 and $39.7 million in 1957, a new record. In passing, it may be noted that a $100 investment in the stock at the 1929 high is worth approximately $8600 at today's price. Since 1953, sales are up 68% and adjusted earnings per share have increased from $1.07 to $2.34. The stock advanced from a 1953 low of 21 to a high of 101 last year. At the current price of about 75, it is selling at 32 times 1957 earnings. The $1.20 per share annual dividend provides a yield of only 1.6%. Obviously, the stock is high by any normal standard. It is discounting future earnings and dividends some years ahead. Yet, the company's unique products and progressive management give promise of future growth. For this reason, many long term investors, who bought the stock at lower levels, may wish to retain their holdings. However, this does not suggest new purchases at current prices, unless on a dollar averaging basis over a long period.

International Business Machines is another example of an outstanding growth company. Its success may be largely attributed to continuous introduction of new products, most of which are labor saving in nature. The company dominates the office equipment field. It manufactures electric and electronic bookkeeping, accounting, statistical and computing machines. About two-thirds of revenues represent rentals and servicing of these machines. In recent years, the company has become increasingly important in specialized computers and control devices for military use. It continues to spend the greater part of earnings on research and new products. It has demonstrated unusual marketing ability on a worldwide basis. Its rapidity of growth has gained in momentum in the past two decades. Earnings increased from $8.1 million in 1937 to $23.6 million in 1947, followed by a further gain to $89.3 million in 1957, establishing a new record. Since 1953, sales and service rentals have increased by almost 150% and, after adjustment for stock splits and stock dividends, earnings have increased from $3.17 to $7.54 per share. The indicated annual dividend rate is $2.60 per share. At the present price of about 332, the stock is selling at the high ratio of 44 times earnings and yielding less than 1%. The strong position of the company points to further growth. Again, this is a situation where the long term investor may desire to hold on, but where a new investor should show caution.

Dow Chemial represents a further illustration of a growth company. It is in the unusual position of extracting most of its products from elemental raw materials, including brine, sea water, rock salt and natural gas. The company produces a wide line of organic and inorganic chemicals. It is the largest producer of magnesium, a lightweight metal. Its plastics include polystyrene, vinyl, ethyl cellulose and the rapidly growing polyethylene. The company has continuously introduced new products, as a result of research. Its current expansion program is one of the largest in the industry, in proportion to the company's size. Earnings amounted to $3.9 million in the fiscal year ended May 31, 1938. In subsequent fiscal years, earnings rose to $21.1 million in 1948 and to $53.2 million in 1957. Since 1953, growth in reported profits has been held back by heavy depreciation and amortization charges. Adjusted earnings per share declined moderately to $2.15 in the 1957 fiscal year from $2.52 in 1956. Through November 30th of the current fiscal year, earnings were about 10% above a year previous. The annual dividend rate is $1.20 per share. At the current price of about 57, the stock is selling at 27 times 1957 earnings, with a yield of 2.1%. While a temporary plateau in earning power is suggested, it may be expected that growth will be resumed presently. The long term investor will probably exercise patience and retain his position. The new investor may prefer to take a position by dollar averaging over a period of time.

The three examples of growth issues, mentioned above, show unusually low yields on cash dividends paid. While IBM and Dow Chemical also pay small stock dividends, it is obvious that stocks dividends, whether 1% or 100%, represent only a division of the equity already owned. In practice of course, many investors do sell small stock dividends and, in some instances, may consider the proceeds as increasing their so-called "yield"—even though this has actually decreased their share of ownership.

From another angle, the low yields of the three preceding stocks are discounting probable dividend pay-outs some years ahead. For instance, if it is assumed that IBM's earnings will continue to increase at the same rate as since 1953 and that the same proportion of earnings will be paid in cash dividends, the yield at today's price would still be sub-average for some years in the future.

By definition, rapid growth requires reinvestment in the business of a large proportion of earning power. This proportion, based on 1957 figures, is 49% for Minnesota Mining & Manufacturing, 65% for International Business Machines and 44% for Dow Chemical. An optimistic stockholder might view part of the money plowed back into the business as a voluntary waiver of immediate income on his

Comparative Performance of 33 Growth Stocks Since 1953

	Average Adjusted Price 1953	High Since 1953	Current Price	% Decrease From High	% Sales Increase 1953 to 1957	% Net Income Increase 1953 to 1957	Adjusted Net Earnings Per Share 1953	% Yield of Cur. Div. Rate to 1953 Adj. Price	1957 Net Per Share	Current Indicated Div.	% Div. Yield 1957	No. of Shares Outstanding 1953 (000)	No. of Shares Outstanding 1957 (000)
Allied Chem. & Dye	69	129½	76	41%	40%	.3%[4]	$5.10	4.3%	$4.37	$3.00	3.9%	8,857	9,922
Aluminium, Ltd.	16	53⅛	27	49	(na)	(na)	1.41	5.6	1.40[3]	.90	3.3	9,013	30,168
Aluminum Co. of Amer.	26	133½	64	52	(na)	(na)	2.85	4.6	3.50[3]	1.20	1.9	9,842	20,602
Amerada Petroleum	84	147½	82	44	(na)	(na)	2.93	2.3	4.65[3]	2.00	2.4	3,154	6,312
Bethlehem Steel	14	50⅝	39	26	25	42	3.32	17.1	4.13	2.40	6.1	9,582	44,644
Boeing	10	65⅜	36	44	74	108	1.90	10.0	5.49	1.00[2]	2.7	1,623	6,953
Corning Glass	32	106¼	77	27	(na)	(na)	2.23	4.6	2.60[3]	1.50	1.9	2,659	6,681
Douglas Aircraft	24	95⅝	56	51	24	65	5.15	16.6	8.28	4.00	7.1	1,202	3,705
Dow Chemical	38	82⅞	56	32	54[1]	49[1]	1.58[1]	3.1	2.15	1.20[2]	2.1	6,961[1]	24,772
DuPont	98	249¾	175	30	(na)	(na)	4.94	6.6	8.48	6.50	3.7	45,454	45,549
Eastman Kodak	40	115	102	11	26	79	2.59	6.6	5.09	2.65[2]	2.6	17,400	19,191
Freeport Sulphur	45	123	72	41	30	51	3.56	6.6	5.19	3.00	4.1	2,400	2,501
General Dynamics	13	68⅝	59	12	548[3]	(na)	2.34	15.3	4.75[3]	2.00	3.3	841	9,219
General Electric	26	72⅝	61	15	38	49	1.92	7.6	2.84	2.00	3.2	28,845	87,257
Goodrich (B. F.)	35	89¼	61	31	9	15	4.08	6.3	4.40	2.20	3.6	4,194	8,952
Goodyear T. & R.	24	95¼	72	32	17	31	5.14	10.0	6.12	2.40[2]	3.3	4,519	10,590
Gulf Oil	45	152	102	33	(na)	(na)	7.13	5.5	11.00[3]	2.50[2]	2.4	24,541	31,130
Int. Business Mach.	73	376½	330	9	143	161	3.17	3.5	7.54	2.60[2]	.7	3,198	11,552
Int. Nickel	40	115⅜	73	36	(na)	(na)	3.55	6.3	6.00[3]	3.75	5.1	14,584	14,584
Int. Paper	45	144½	86	40	(na)	(na)	5.84	6.6	5.75[3]	3.00[2]	3.4	9,790	12,546
Johns-Manville	32	58¾	37	37	22	9[4]	3.10	6.2	2.48	2.00	5.4	3,172	7,163
Minneapolis-Honeywell	30	131	79	40	51	106	1.66	5.8	3.07	1.75	2.2	3,119	6,959
Minnesota Mng. & Mfg.	25	101	74	26	60	116[3]	1.07	4.8	2.34	1.20	1.6	8,218	16,830
National Cash Reg.	17	70⅝	55	21	(na)	(na)	1.71	7.0	2.50[3]	1.20	2.1	2,166	7,065
National Lead	33	138	89	35	22	82	2.54	9.8	4.64	3.25	3.4	11,302	11,648
Owens-Corning Fiberglas	23	91	37	58	24	69	.85	3.4	1.36	.80	2.1	3,140	6,601
Radio Corp. of Amer.	25	55⅜	32	41	38	10	2.27	6.0	2.52	1.50	4.6	14,031	14,031
Reynolds Metals	9	85	36	57	55	106	1.84	7.2	3.28	.65	1.7	1,802	10,958
Southern Railway	17	51	31	39	3[4]	2	4.66	16.4	4.78	2.80	9.0	2,596	6,491
Stand. Oil of N. J.	24	68½	48	29	92[3]	45[3]	3.20	9.3	4.05[3]	2.25	4.6	60,571	203,023
Thompson Products	24	89¾	41	54	13	24	3.56	5.9	4.20	1.40	3.4	1,304	2,762
Union Carbide	68	133⅜	87	35	36	30	3.55	5.3	4.45	3.60	4.1	28,952	30,067
Westinghouse Electric	45	83¼	60	27	27	2[4]	4.53	4.4	4.18	2.00	3.3	15,935	16,943

(na)—Not available. **1—From 1952.** **2—Plus stock.** **3—Estimated.** **4—Decrease.**

Allied Chemical & Dye: Operations and earnings are likely to ease-off in 1958, but this third largest chemical producer still appears to have long-term attraction.

Aluminum, Ltd.: Largest foreign factor in aluminum. Immediate earnings prospects unimpressive. Co., in strong longer-term competitive position. A low-cost producer.

Aluminum Co. of Amer.: World leader. Further foreseeable decline in shipments expected. Long term outlook promising. Financially strong.

Amerada Petroleum: Some earnings improvement likely this year. Outstanding record in new oil discovery. Vigorous growth record.

Bethlehem Steel: Probably lower 1958 results. Attractive issue over longer-term. Second largest steel producer. Largest shipbuilder. Dividend may be maintained.

Boeing Airplane: Despite stretchouts, backlog of long range bombers, etc. continues substantial. Guided missile output increasing. Has substantial civilian orders.

Corning Glass: Appears fully-priced on current earnings. Yield is very small.

Douglas Aircraft: Stretch-outs and adjustments in contracts and development work indicate possible lower 1958-59 returns. Missile volume expanding. Holdings should be maintained.

Dow Chemical: Little earnings improvement expected over near-term. Always sells on high price-earnings ratio. A favorite growth issue, with possible slower future rate of expansion. Past record is superior.

DuPont: Sales and profits this year might top 1957. Chemical leader, wide diversity and record of growth, outstanding in the industry.

Eastman Kodak: Expansion into chemicals, plastics, synthetic yarns, etc. has stimulated sales and profits. Financial position strong. Stock is a candidate for a split.

Freeport Sulphur: Decline in sulphur prices, high inventories and intense competition clouds immediate future.

General Dynamics has achieved leadership in amount of defense contracts received. Planes, guided missiles, electronics, submarines, nuclear and space age products enhance growth prospects.

General Electric: Leading factor in electrical equipment and allied products. Aggressive expansion and record of growth will maintain its commanding position.

Goodrich (B. F.): Dip in market price reflects temporary restrictive influence in the chemical division. Eventual sales, earnings increase and diversification should extend growth uptrend.

Goodyear Tire & Rubber: Attained new peaks in sales and profits last year, with continued further gains in prospect for 1958 and the future.

Gulf Oil: Major international oil with large reserves. Middle East troubles shadow near-term factors. Attractive longer-range potentials.

International Business Machines: Revenues expected to continue in a strong uptrend. Large base of rental income should resist effects of business letdown. Stock favored for further capital growth prospects.

International Nickel: Reduced shipments and prices of metals having deteriorating effect on margins and profits. Near-term outlook uncertain.

International Paper: Current earnings influenced by pressure on margins and temporary over production capacity. Expansion furnishes basis for future gains.

Johns-Manville: Well integrated. Despite slight product demand improvement, recovery prospects are dim for the immediate period ahead. Dividends should hold.

Minneapolis-Honeywell Regulator: Future demand for automatic and electronic controls augurs well for the future. Small earnings increase expected for 1958. Long-term potential good.

Minnesota Mng. and Mfg.: Profit-margins expected to hold on rising 1958 volume and earnings increase. Stock seems fully priced. Dividend yield very small.

National Cash Register: Sales and margins are expected to compare favorably with 1957, despite profit squeeze. However, the shares are considered fully-priced at current levels.

National Lead: With downward adjustments in selling prices and margins, somewhat lower results are looked for in 1958. Longer-term outlook excellent with stock still considered a growth situation.

Owens-Corning Fiberglas: Continued growth, at slower rate indicated for fibrous glass products. Stock has sold on exceedingly high price-earnings ratios.

Radio Corp. of America: Earnings for 1958 may range slightly above previous year. Co., expected to maintain its leading position in electronics.

Reynolds Metals: Competitive problems and charges expected to lower near-term profits. Future aluminum demand seems assured. Dividend should be maintained.

Southern Railway: Operating and earnings results will compare unfavorably with recent periods. Over the longer term, continued expansion of industry and population in the territory and operating economies contribute to the growth-trend of this road.

Standard Oil of New Jersey: Temporary oil price weakness having adverse affect on near-by results. This world leading petroleum giant assures full participation in the growth of the industry.

Thompson Products: Earnings for this year will sharply reflect the shifts and cut-backs in the defense program. The stock has discounted much of the adversity.

Union Carbide: Profit margins are under pressure from higher costs, and 1958 earnings are not likely to match the $4.45 of last year. However, future prospects continue bright for the second largest chemical producer.

Westinghouse Electric: A market recovery of earning-power is currently under way. This year's results may top the $4.17 per share of 1957. With a progressive program and good record, future growth prospects are good.

part, for the purpose of insuring future growth. This thought would not disprove the fact of low current yield.

In the preceding comments, we have discussed three companies with growth based primarily on special processes or products, plus large research expenditures and rapid expansion. It is of interest at this point to consider a growth company with a slower rate of expansion and products that are both cyclical and competitive in nature, at least in great part.

General Electric is an example of such a company. It is the leading producer of electrical equipment, ranging from heavy electric generators to light household appliances. Its output includes numerous consumer products, utility apparatus and industrial components. The company is a leading factor in electronics and atomic energy. It conducts continuous research for new products. This, plus able and aggressive management, has enabled the company to maintain its lead over competitors. From 1953 to 1957, adjusted earnings per share increased from \$1.92 to \$2.84. As evidence of the management's ability, earnings increased 16% last year over 1956, on a 6% gain in sales. The annual dividend rate is \$2.00 per share, representing a 70% earnings payout. At the current price of about 62, the stock is selling at 22 times last year's earnings and yields 3.2%. While this is a better return than the very low yields of M.M.&M., IBM and Dow Chemical, it is nevertheless much below prevailing yields on many issues of companies that are comparative to General Electric in size and strength in their industries, but which lack the element of well-defined growth. In brief, General Electric is still a growth company, even though it may reach corporate maturity at some time in the future, before the three examples of rapid growth arrive at that stage. The stock should still be held by the long term investor and may be considered as a candidate for dollar averaging.

At this point, we may turn attention to the type of growth company that is engaged in a highly competitive and somewhat cyclical industry – with the temporary handicap of over-capacity but every prospect of long term expansion in use of its product.

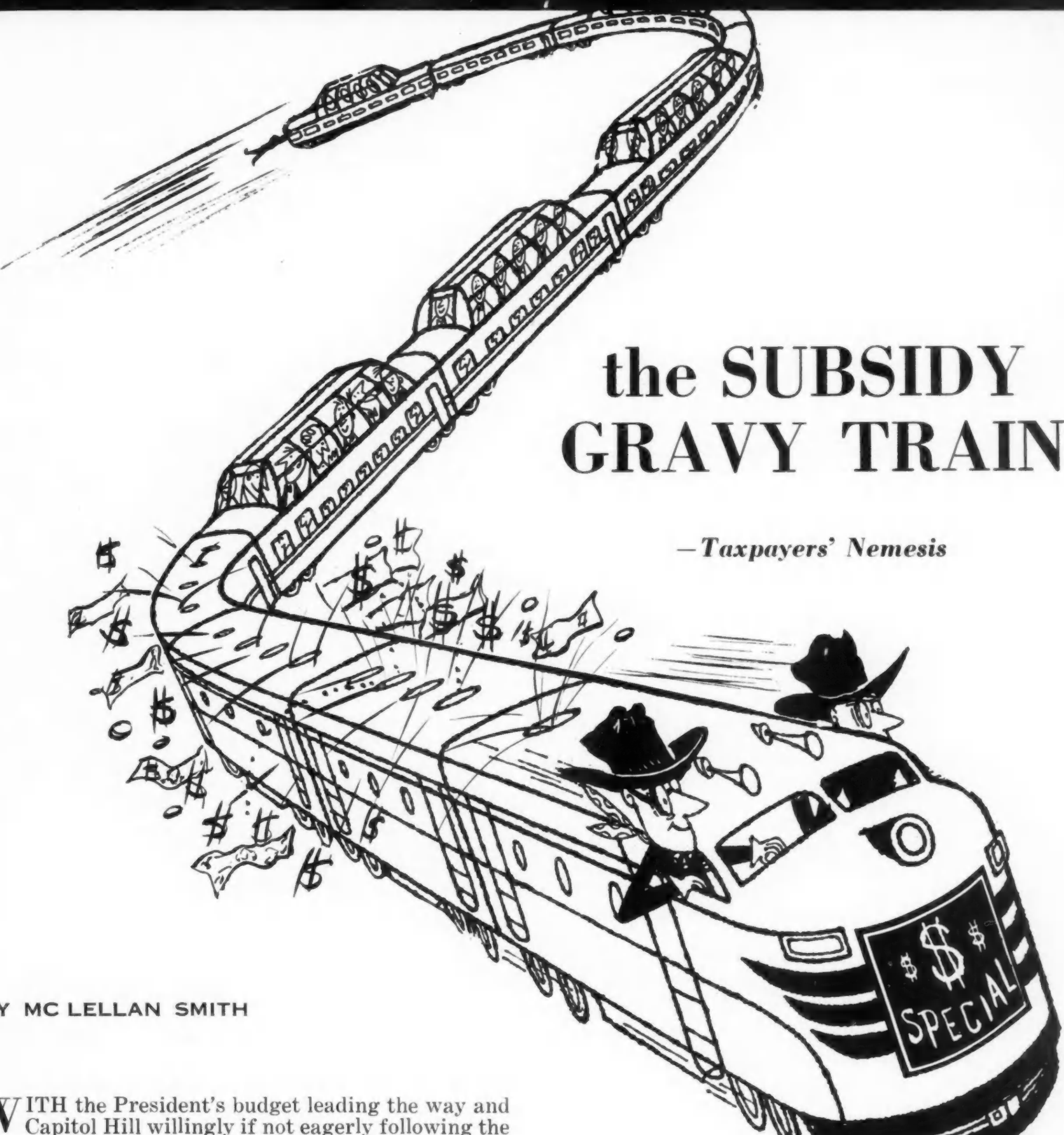
Aluminum Co. of America is a good example of such a company. It is the leading factor in the domestic industry, and a fully integrated producer of aluminum from the ore to finished products. The company owns large bauxite ore reserves. It produces most of its electric power requirements. About three-fourths of sales represent fabricated products. These factors, together with able management, lend strength to the company's leading position. Of more immediate consideration, there is the fact that the industry's capacity has been expanded greatly in recent years, with the result that the supply of aluminum currently exceeds demand and operations have been curtailed. In recent months, Alcoa has suspended or modified its large expansion program. Nevertheless, while excess capacity may remain a problem for a considerable time, longer term growth in the widening uses of aluminum appears fairly well assured. Alcoa's earnings, adjusted for stock splits, amounted to \$1.30 per share in 1947, \$2.85 in 1953 and \$4.24 in 1956. Earnings for 1957 (not yet reported) may be estimated at around \$3.50 per share. The \$1.20 per share dividend represents only 34% of estimated 1957 earnings. At the current price of about 66, the stock is selling at 19 times such earnings and yields 1.8%, notwithstanding the prevailing difficulties of the industry. The relatively high price-earnings ratio and low yield appears to reflect confidence on the part of investors as to the company's future growth. However, we do not recommend purchase currently. If dollar averaging is undertaken in the stock, it should be spread over a sufficient period of time to allow aluminum demand to catch up with capacity.

Finally, on the subject of growth equities, we will examine three companies engaged in activities essentially different from the fields of business already discussed.

General Dynamics is heavily dependent on military business, although it plans to expand into other activities in future years. At present, the company is probably the most widely diversified enterprise with respect to important defense work. It produces both military aircraft and missiles, as well as atomic submarines. It is developing the Atlas missile and a nuclear powered bomber. Other products include electric and electronic equipment, and carbon dioxide. A Canadian subsidiary makes commercial aircraft. Adjusted for stock splits, earnings increased from \$2.34 in 1953 to \$4.14 in 1956. Earnings for 1957 (not yet reported) are estimated at about \$4.75 per share. The annual dividend rate is \$2.00 per share. At the current price of about 59, the stock is selling at a ratio of approximately 12 times last year's estimated earnings, and the yield is 3.4%. The current price appears to be based on the expectation of continued heavy defense spending over future years and further expansion, as well as possible diversification, by the company. Those who hold this stock, and have shared in the substantial advance in price, plus splits, should continue to hold.

Boeing Airplane is a prominent producer of military aircraft, mostly large types of planes. While output of the B-52 long-range jet bomber may remain high for some time and deliveries of the KC-135 jet tankers are accelerating, a basic shift in military policy toward emphasis on missiles, rather than aircraft, has served to set a time limit on much of the company's current business. However, the Bomarc guided missile is scheduled for quantity production. The company is developing a new anti-missile weapons system, and commercial airplane shipments are expected to begin late this year. Adjusted for stock splits, earnings were \$1.10 per share in 1951 (before the defense build-up), \$2.82 in 1953 and \$5.49 in 1957. The annual cash dividend of \$1.00 per share is supplemented by small stock dividends. At the current price of about 36, the stock is selling at only 6.6 times 1957 earnings, obviously indicating that investors doubt that the recent high level of earning power will continue. The yield on the moderate \$1.00 dividend is only 2.8%. The company is in a transition stage as to future business.

Southern Railway has been a prime beneficiary of the growth and industrial development of the South. The road comprises over 6000 miles of lines serving every southern state, with one exception, east of the Mississippi and south of the Potomac. The main line extends from Washington to Atlanta. The system serves manufacturing areas of leading states and has entry into im- (*Please turn to page* 771)



the SUBSIDY GRAVY TRAIN

—Taxpayers' Nemesis

BY MC LELLAN SMITH

WITH the President's budget leading the way and Capitol Hill willingly if not eagerly following the example set, the "welfare state" built on Federal grants-in-aid and subsidies is assured another year's run.

There appears to be no disposition in either the Executive or Legislative department to grapple with the fundamental fallacies of a system which paternalistically and inequitably uses money received from the states and channels it back in a manner which is less American than Marxian. The program is share-the-wealth in action, with the money distributed "by bureaucratic choice rather than in accordance with the revenue collected in taxes from the states". Yet far from coming to grips with the problem, the President has asked and Congress is likely to provide even more billions this year than last—a new record as, indeed, new records have been set almost every year in recent history. By way of illustration: excluding administrative cost, Federal aid to states and municipalities totaled $490 million in 1945, climbed to $3.1 billion in 1956, mounted to $4.3 billion in fiscal 1957, $5.3 billion in the current fiscal year and is set up in the forthcoming budget at $6.25 billion.

The immediately preceding figures completely negate a pre-budget statement of the President that we must apply the "stern test of priority" to civilian expenditures in order that we channel more funds into defense and its needs in an age of intercontinental ballistics missiles and space navigation. The President's budget shows no evidence of a stern test of priority, and there are increasing omens that Congress—in this election year—is ready to ignore any such tests, and consequently will ladle out more and more dollars for projects that might be more properly handled at local levels.

Two faults are elemental in the Federal aid system: 1. The law of supply and demand is repealed

in the case of the farm programs and to a lesser extent, in other particulars. 2. The Federal tax system has blocked the States and cities out of their proper taxing zones, leaving them without ready money for maintenance and development of local government.

In the past three decades tax levying accent has been shifted from local to Federal, and with that switch went a change in responsibility for functions historically state and municipal. Centralization set up a bureaucracy with a 20 per cent handling "charge" on the movement of locally-collected money through Washington channels and back to the communities that raised it in the first instance. In brief, for every dollar of Federal aid ladled out, the government has to collect $1.20 in taxes. As the process developed there was no attempt to preserve equities; quite to the contrary, the idea was to level off with no reward for enterprise, no penalty for local governmental indolence.

Over the years there has been a movement to recast the Federal-State tax collection pattern. Today it is mentioned, if at all, as something quite academic, even abstract.

The Perpetuated Payments

A first reading of the Budget Message sent to Capitol Hill by Ike leaves an encouraging inference that a start will be made by cutting down the soil bank payments. On second reading the important words "after the current crop year" stand out. One is forced to the conclusion that there is something repetitive in the words and the promise, and that the same words are likely to recur in future messages. Creation of the soil bank was the deed of a new bureaucracy, and bureaucracies, despite any possible Administrative or Legislative opposition, have the ability to perpetuate themselves. The War Spruce Corporation, created in 1917 to assure a supply of light, tough wood for war plane construction, was not abolished until 1949—for 32 years it received annual appropriations although spruce ceased to be a component of air craft in late 1917 or early 1918!

Postmaster General Arthur E. Summerfield has asked for postage rate increases which, he says, will not remove an operating deficit. The red ink operation may even go up in the next fiscal year, he suggests. The economics of railroad payrolling may require higher payments (subsidies) for moving the mail. In the meanwhile, Capitol Hill, an eye on the 1958 elections, drags its feet for the political reason that postal rate hikes will be resented by all except those too illiterate to use the mails.

The brief digression from the principal theme—Federal Grants-in-Aid—has been made to give some insight into the tendencies of bureaucracy toward self-perpetuation, whether or not the bureau—or agency—has any worthwhile excuse for existence. There has also been a glance at the Congressional mind which too often measures legislative action in the terms of votes rather than sound economics. Political decisions have been making a sorry mess of our economy—our finances.

The Gross Inequities

In a previous article (*The Magazine of Wall Street, March 30, 1957*) is was pointed out that Federal grants-in-aid bear no reasonable relation to contributions of the respective states to the Federal revenue. Fourteen of the States were shown to have contributed from $1.02 to $2.45 for every dollar of Federal aid received in 1956, while 34 States contributed from a low of 29 cents to a high of 96 cents for each dollar of Federal money turned back. Variations in the current and approaching fiscal years do not alter the overall picture. Fourteen States will suffer monetary loss in the local-to-Washington-back-again merry-go-round while 34 States will have a per-dollar gain of from four cents to 71 cents. It is the Marxian theory of redistribution-of-wealth-through-taxation in complete perspective. (An up-dated table appears on page 737.)

It's a "funny" picture, but totally devoid of humor especially to the States which come out "minus" in the deal because they get from the aid "gravy train" only a small portion of the cost of its operation. The States which get more than they paid suffer set-backs too—they see essential local operations controlled by a far-away Washington agency blind to local conditions and wishes.

Despite glaring inequities of the Federal aid system—a system which fully carries out the alien theory of redistribution of wealth through taxation—Congress yearly gives the theory greater support. Federal aid to states and municipalities amounts to free campaign funds for the national legislators desiring return to office. The Congressman who can wire his home papers that this, that, or the other bureau has set aside funds for a district project—needed or not—has gained a campaign advantage probably superior to any which could be gained through cash expenditures from his own pocket. And bureaucratic announcements of Federal aid invariably are released through Congressional offices, never direct to the press.

Federal aid programs seldom if ever stipulate specific sums for specific areas. They simply cover the United States. Allocation of funds under the program is left to a Washington bureaucracy, always subject to political pressure. The new supplanted aid-to-education program of the last Congressional Session amply points up the redistribution of wealth through taxation that is possible under Federal aid. Coincidental with the then-pending bill was published a table of State allocations under the program. South Carolina would have contributed to the program—through Federal taxation—$2,145,000, but would have received back $8,582,000. At the other end of the scale Connecticut's tax-wise contribution would have been $4,403,500, but she would have received back only $2,011,000!

No such bill is receiving serious consideration during the current Session of Congress. That does not mean, however, that consideration will not arise later. In the meanwhile, the President has asked an appropriation of $275 million to inaugurate a "crash" program for the education of students of promising scientific talents. He has said the program should continue for four years at an identical annual cost—a total of $1.1 billion. Almost immediately, members of Congressional majority condemned the President's figure as "inadequate." In the making is a Congressional program stepped up to $600 million each year. It is open to question that such a sum of money could be used wisely, despite admitted deficiencies in the field of science. The funds would be administered by a Washington bureaucracy—waste

and error in distribution would devour more than anyone can forecast with accuracy.

Basic Weakness in Federal Aid Set-up

It is this need for a "crash" program of scientific training which points up a defect in the whole concept of Federal aid to the States, born of indolence on the part of many states and nurtured to dangerous maturity in the days of the New Deal and the Fair Deal. The Federal establishment, in its eagerness to do all things for all men, has piled tax upon tax until local governments have been stripped of revenue sources necessary to proper maintenance of their public educational responsibilities. In short, Federal usurpation—in the name of Federal aid—has created a situation where we now find ourselves crowded by the Russians when it comes to knowledge necessary to defend ourselves in an age of mass destruction through pure science. There is a counter-argument that the fault lies with the educational system itself; that it has, in the name of modernization, gotten away from fundamentals of the "Three R's." The argument may have validity, but the fact remains that if local governments had enjoyed less restricted areas of revenue-raising, they would have been able to maintain closer supervision of their educational systems.

Thumbing through the 1225-page Fiscal 1959 Budget the researcher finds 50-odd Federal aid "give-away" programs. Of these, it is difficult to name more than six which cannot and should not be turned back to the States. And these six are in the areas of veterans affairs, national forests and other functions of multi- or interstate interest; well over 40 of them are purely State functions—at least, they were State responsibilities until less than two decades ago.

"Class" Grants-in-Aid

But direct grants-in-aid are not all of the Federal giveaways. An illustration can be found in the rural electrification program and its companion rural telephone program. In both, the Federal government lends money to rural co-operatives for the construction of electrical or telephone systems. The money is loaned at two percent interest, at first blush a profitable arrangement. However, Uncle Sam *borrows* the money he lends the co-operatives and *pays three and one-half per cent interest on his borrowings.* With an average of $3 billion outstanding on co-op loans at 2 per cent, we find that Government, paying 3½ per cent for the money loaned, takes a licking to the tune of $45 million a year—to which must be added more than $7 million for annual REA administrative costs.

The rural electrification and telephone programs represent but a small portion of the grants-in-aid (subsidies) to farmers. There are eleven agencies within the Department of Agriculture whose functions are to ladle money out to the farm population—some of it "for free," some of it at interest rates incommensurate with sound business.

Thus far not regarded as grant-in-aid programs are Reclamation services and Federal invasion of the hydroelectric power field. These have long been regarded as self-liquidating ventures, some of them even showing a bookkeeping profit. These projects are paid for out of Federal (*Please turn to page* 769)

Amount Taxpayers in 14 States Will Pay

(1959 Budget)

State	in Taxes for Each Dollar of Federal Aid Received (Fiscal 1959) Tax Paid	Loss
Delaware	$2.45	$1.45
New Jersey	2.40	1.40
Connecticut	2.21	1.21
New York	1.82	.82
Ohio	1.69	.69
Maryland	1.67	.67
Illinois	1.64	.64
Michigan	1.59	.59
Pennsylvania	1.50	.50
Indiana	1.46	.46
Massachusetts	1.34	.34
Wisconsin	1.23	.23
California	1.05	.05
New Hampshire	1.02	.02

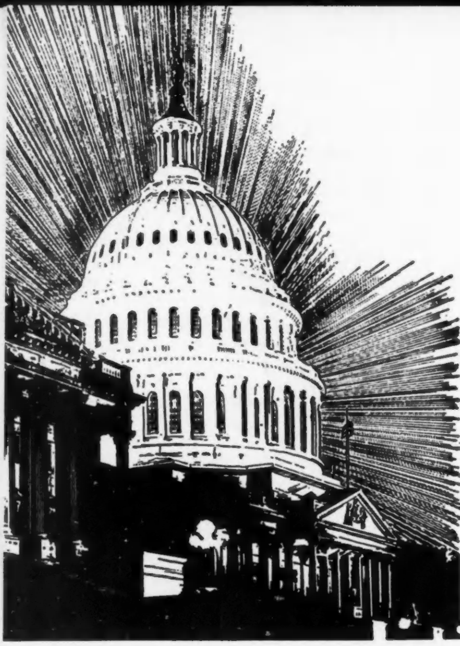
These 14 "Aiding" States will have a Federal tax bill of $3,962,000,000, but an "aid" return of $2,573,000,000, a net loss of $1,389,000,000.

Amount Taxpayers in 34 States Will Pay

(1959 Budget)

State	in Taxes for Each Dollar of Federal Aid Received (Fiscal 1959) Tax Paid	Gain
Oregon	$0.96	$ .04
Florida	0.93	.07
Virginia	0.90	.10
Minnesota	0.89	.11
Rhode Island	0.89	.11
Washington	0.79	.21
Texas	0.78	.22
Iowa	0.77	.23
Maine	0.71	.29
Missouri	0.67	.33
Kansas	0.66	.34
Nebraska	0.66	.34
Vermont	0.62	.38
Colorado	0.61	.39
North Carolina	0.57	.43
Montana	0.55	.45
Tennessee	0.55	.45
Kentucky	0.52	.48
Arizona	0.51	.49
West Virginia	0.51	.49
Georgia	0.49	.51
South Carolina	0.49	.51
Utah	0.49	.51
Nevada	0.48	.52
Idaho	0.46	.54
North Dakota	0.44	.56
Wyoming	0.42	.58
South Dakota	0.38	.62
Alabama	0.36	.64
Louisiana	0.36	.64
Oklahoma	0.35	.65
New Mexico	0.34	.66
Arkansas	0.31	.69
Mississippi	0.29	.71

These 34 "Aided" States will have a Federal tax bill of $2,288,000,000 and an "aid" return of $3,677,000,000, a net gain of $1,389,000.000.



Inside Washington

By "VERITAS"

REALTORS, who form one of the most effective lobbies in the country, are being advised to stay at home this year rather than come to Washington, D. C., where, they've been warned, they may find themselves lobbying away their own best interests. Aid for federal and local projects is too costly and has too many strings attached when it comes from Washington, said Eugene P. Conser, executive of the National Association of Real Estate Boards, who adds: "Mayors and Governors lose much of their independence of action and become suppliants of centralized government; weaken the principle of state's rights; promote centralization of authority and the totalitarian state."

CENTRALIZATION of financing inevitably brings authority within its control, 62,000 members of NAREB have been reminded. They are especially cautioned against making public schools a political institution and "paying double the cost when a deferred improvement is financed by the Federal Treasury." Communities which find it difficult to meet the demands of local growth are urged to inquire into the common causes of this situation: Inequitable property assessments, lax tax collections, poor appraisal methods. Summed Conser: "It will be a service to our country if we can dissuade local officials from continuing to be accessories in attempts to change our system."

FARMERS and their marketing and purchasing cooperatives borrowed a record total of $3.3 billion from agencies of the Farm Credit System in 1957. This was $386 million over the 1956 figure. Chief causes of the upswing were continual rise in farming costs and efforts to improve the efficiency of operations by mechanization. Borrowing for production was the principal activity. At year's end, farmers had a record total of $1.9 billion in outstanding loans from Federal Land Banks. And 2046 marketing and purchasing cooperatives had loans from Banks for Cooperatives totaling $454 million.

MASS MEETING here to acquaint the nation with the need for the full amount of Ike's requested foreign aid appropriation—its declared purpose—brought more than 1200 persons to a hotel banquet hall to hear the President, Harry S. Truman, Cabinet members and others. Idea was to impress on selected civic leaders and formulators of public opinion the necessity for meeting Russia's economic weaponry, as it had been described in the State of the Union Message. It's too early to evaluate the results. But Rep. Otto Passman who heads the house committee in charge snorted: "The biggest lobby ever formed to pressure the people and the Congress!"

WASHINGTON SEES:

The Common Market idea is spreading and coming closer to the United States: there is serious talk of this country joining with neighbors either to the north or to the south for the achievement of what seems to be ahead for the Benelux Countries, Italy and Western Germany in the most ambitious of experiments in living without tariff walls.

Great Britain is toying with the notion of jumping into the European Common Market. Belgium, the Netherlands and Luxembourg have been working toward unification of their economies since the end of World War 1. The results have been so agreeable that new and more formal trade alliances have been executed, involving the free movement of goods, services and capital.

The idea of a North American common market has been suggested and it hasn't been rejected in the State and Commerce Departments. Dr. Lewis E. Lloyd, economist for Dow Chemical Company and widely known author and lecturer on world commerce, told a Washington conference: "If we really want free trade, we should start with Canada, where wage standards and other conditions most nearly approximate ours. Let us plan right now for a common market with our neighbor and biggest trading partner. A common market for Latin America was promoted at Santiago and interest in closer trade relations with the United States stood high on the agenda.

As We Go To Press

▶ The heat is on again for Agriculture Secretary Ezra Taft Benson's resignation. He was the first Eisenhower Cabinet member to be the target of resignation demands, and that was five years ago. Off-and-on since Ike went into the White House, Benson has served as a lightning rod to divert bolts headed at the top man of the Administration. If he leaves the Cabinet, he will do so of his own volition. Ike won't accede to demands that he pressure Benson out. Never one to permit dictation from the legislative branch in affairs coming within the purview of the Executive, Mr. Eisenhower has become increasingly oblivious of the political angles in the past year. The answer is simple: he has nothing to gain, nothing to lose, by whether he's "right" or "wrong" from a party standpoint.

▶ The Benson farm program is substantially the one the republican party, from Ike on down, has been demanding. It seeks to give more play to the law of supply and demand than was possible under the rigid handouts of the New Deal-Fair Deal. Not a perfect plan, to be sure, because there are too many imponderables in raising and marketing crops to make that goal attainable, but the Plan does seek to cure a basic ill: constantly mounting food surpluses. If Benson's political head rolls it won't put an end to costly farm programs.

▶ The Joint Economic Committee composed of Senators and Representatives has been delving into the ups and downs of agriculture. Its Agricultural Policy Subcommittee came up with a report in mid-February warning Congress that commercial farming will require Federal programs for at least 10 more years! If these aids are dropped, or even seriously curtailed, the warning ran, income of farm families will drop 'way under that of city dwellers. And if that happens a new economic worry will rear its head.

▶ The study operated under the chairmanship of Senator John Sparkman of Alabama. Based on the views of 60 recognized experts, the committee proposes four principal lines of action: 1. More research into industrial uses, upgrading minimum nutritional requirements, and expanding foreign markets. 2. Assist the normal flow of farm population to other occupations and develop local nonfarm resources. 3. Assist farm families to make major adjustments required by technological advances and shifting markets. 4. Improve such income-producing programs as production controls, surplus disposal, and consumption subsidies. Then the committee said, "real limitations on production will have to be accepted without increasingly large government payments to induce compliance." Which seems to be what Benson wants.

▶ Presidential succession legislation is out through the window until some one comes up with a better plan than has been proposed up to now. The further Congress delves, the more understandable becomes the reluctance of Thomas Jefferson and his associates to write a hard-and-fast rule. The subject goes deeper than whether a Vice President should get a free ride into the top office, and under what circumstances. It involves the question whether a "temporary disability" to carry on the affairs of the office should be recognized, permitting the elected Chief Executive to regain the reins when he, or other designated authority, concludes the disability has been removed. This has international complications: What inferences might be drawn by foreign offices around the world when told that the Chief of the most powerful Nation is coming back into power after a "respite?"

▶ The pending succession law would permit the Vice President to declare his Chief unable, temporarily or otherwise, to carry on. His decision would require the support of the Cabinet. It could be an

instrument for political skullduggery of the most damaging sort. Under such a law, Lincoln would have been ousted by an ambitious Vice President and a Cabinet that had fallen out with the President who appointed it. And its very existence would make the White House incumbent servient to a super-government whose demands on the President would be tacitly backed by the threat of the heave-ho and a clouded page in history for a Chief Executive of strong and loyal bent.

▶ Twice within half a century, we have had Presidents in office who should have stepped aside in the interest of an efficiently operating government, but wouldn't. And that's the core of the problem: far from turning over the helm, an incapacitated President is more likely to tighten his rule, or place others in a position where they can do so. Woodrow Wilson is always cited as the major case in point. Even his idolaters -- and they were numerous -- now agree that Franklin D. Roosevelt was too ill for the job before he embarked on his last term in office. President Eisenhower has had three major illnesses and his recuperation from these, and a series of less dangerous ailments, has governed the operation, and location, of the White House for the past two years. But Ike scoffs at suggestions that he take a breather from the cares of state. And there is no one, no way, to impress its wisdom on him.

▶ Conflicting schools of thought are operating within the democratic party in Congress. A showdown is due. First, and currently in control is the Lyndon Johnson theory, best expressed by the Texas Senator and Majority Leader in this warning: "Partisanship in time of peril is its own defeat." Against this approach are the disciples of the Harry S. Truman "give-'em-Hell" technic. Truman and Johnson were main speakers at the fund-raising dinner in Washington, D.C. Each spoke his piece as he sees it: the applause for Truman as he expounded his plan of attack was thunderous; when Johnson bespoke a program of legislation to "earn" return to the White House he received polite handclaps.

▶ Both Truman and Johnson depicted in its present tense the need for "made work" to be financed by the Federal Government. They gave the acknowledging nod to tax reduction which is the stock cure-all of the democratic party, but in their remarks was implicit the deprecating question: "What good is tax reduction to 4-5 million persons who are jobless and couldn't be helped by such a move?" The former President raised to crusading heights the will-to-win by his recital of flaws he finds in the GOP. The Texas Senator's speech had much less impact although it dismissed errors as water over the dam and looked to correctives to insure the future.

▶ Congress is edging toward another Home Owners' Loan Corporation. Under a different name, of course. Rep. Albert Rains has introduced a bill which allows savings and loan institutions to make mortgage loans of a larger percentage of the appraised value, with a proposed Federal corporation insuring most of the increased risk. The plan calls for the insurance of the upper 20 percent of conventional loans, which loans may not exceed 90 percent of the appraised value, 25-year maturity, or $20,000 principal amount. A Home Loan Guarantee Corporation set up under the Home Loan Bank Board would guarantee the top 20 percent of the loan on a 90-10 co-insurance basis. The lender would carry all of the uninsured portion of the loan, plus 10 percent of the insured portion.

▶ This plan differs from an Administration proposal which would have FHA insure 85 percent of the top 25 percent of some conventional loans. Still another Rains bill would let FHA purchase its insured mortgages in cases where the home buyer is in financial straits for reasons beyond his control and cannot keep up payments on the home. This seems a natural evolution of the search for aid to mortgagors. Its similarities to HOLC will be immediately seen. The agency would buy the loan outright by issuing debentures to the holder of the mortgage. The mortgagee would be relieved at that point of all obligation on the loan. Thought behind the plan is that FHA would be less exacting in its demands on the mortgagor while he straightens out his financial situation.

The NEW REGIMES in LATIN AMERICA

—What They Portend for the U.S.A.

BY JOHN H. LIND

A SUDDEN rash of political activity has broken out all over Latin America. Everywhere there are revolts and revolutions, unpredictable elections and new faces at the top. This is in strange contrast to the relative quietness which had prevailed over the continent during the last couple of years. In principle, this upsurge of political action is to be welcomed. The main reason for its previous absence was the existence of dictatorships and of non-political and powerless provisional governments, following the downfall of strong men. But action means change and change means risk. The United States which has some $7 billion direct private capital in Latin America plus an intangible but far more important stake in good-neighbor policy and Western hemisphere defense will therefore do well to follow these changes at close range.

As of today, the United States is still the most influential factor in Latin America. But the same could have been said of Britain's position in the Middle East, only eleven years ago. The influences currently undermining the United States' position in Latin America are not unsimilar to those which all but ended British influence in some of the Arabian countries. This does not mean that Latin America will necessarily go the way of the Middle East. But if it should, it would have profound repercussions on United States business, politics and military strategy.

In looking for clues as to whether it will do so, trade statistics are not of much help. For instance, Soviet bloc trade with Latin America totalled only about $210 million last year which was a drop from the $244 million figure of 1956 and the record $335 million of 1955. Yet, though our trade with Latin America amounted to about $8.00 billion last year, our influence is doubtlessly waning while that of the Communist world is gaining at an uncomfortable pace.

U.S. vs. Soviet Union

There is nothing mysterious about this apparent contradiction between trends of trade and influence. In the first place, the United States is right now undergoing a recession which means it is curtailing its imports, and is seeking to protect its domestic industry by various types of trade restrictions—for example, on oil—and the expected ones on tin and lead, are of major direct concern to Venezuela, Peru and Mexico. In addition, commodity prices in the Free World have been falling, also largely because of the American business decline. This, too, has hurt Latin America.

In this situation, the Soviet Union is moving into

the area with widely publicized dazzling offers to exchange Latin America commodities against Soviet industrial equipment. It is offering easy credits in the form of 2.5 percent loans, stretching over twelve year periods, which is considerably better than the terms offered by public or private U.S. lending agencies. Above all, it is cashing in on its new reputation for technical achievements, stemming from its Sputnik success. What the Soviet government is in effect saying to the Latin Americans is this: "by nationalizing industry, expropriating foreign capital, cancelling foreign debts and striving for economic self-sufficiency we have turned our backward, underdeveloped country into one that can stand up to the most advanced Western capitalist countries. With our help and guidance you can do the same for Latin America."

This idea, which seems to have been the essence of Krushchev's now famous interview with a Brazilian journalist last November, has fallen on fertile soil in many Latin American countries. It is receiving a helping hand from local Communism, ultranationalism, traditional anti-yankeeism and is being tied to the problems of the workers who are keenly expressing dissatisfaction with the real value of their wages being melted down by the area's unending inflationary spiral.

How these various factors worked out on the local level can be seen from the following behind-the-scene glances at political and economic affairs in some of Latin America's key countries.

Latin America's Trade with the U. S. (January-September 1957)

	Exports to the U. S.	Imports from the U. S.	Trade Balance
	(millions of dollars)		
Argentina	$ 99.7	$ 221.5	—$121.8
Bolivia	11.4	25.8	— 14.4
Brazil	475.4	344.7	+ 130.7
Chile	151.0	148.6	+ 2.4
Colombia	283.9	164.7	+ 119.2
Costa Rica	20.9	35.2	— 14.3
Cuba	385.4	440.4	— 55.0
Dominican Republic	43.9	50.9	— 7.0
Ecuador	39.6	35.1	+ 4.5
El Salvador	49.5	37.3	+ 12.2
Guatemala	45.5	57.8	— 12.3
Haiti	10.8	16.5	— 5.7
Honduras	22.6	30.5	— 7.9
Mexico	324.3	649.5	— 325.2
Nicaragua	19.3	30.2	— 10.9
Panama	17.9	50.8	— 32.9
Paraguay	4.7	7.6	— 2.9
Peru	97.1	149.1	— 52.0
Uruguay	12.3	39.9	— 27.6
Venezuela	688.3	695.4	— 7.0
Total Latin America	$2,803.5	$3,231.3	—$427.8

ARGENTINA

Communism is not yet a major factor in Argentina. But fascism and anti-Americanism are. The recent election of Arturo Frondizi to the country's presidency has pointed this up. During Peron's dictatorship, Frondizi's main claim to fame was to go Peron one better in condemning private American capital in Argentina. In fact, Frondizi had much to do with Peron's downfall, since it was he who accused him publicly of "having sold Argentina's independence to American oil imperialism". The charge was based on Peron's attempt to increase his country's oil output by offering concessions to Standard Oil of California. The conditions which StanCal accepted were very favorable to Argentina. Nevertheless, largely because of Frondizi's hysterical insistence that Peron had betrayed his country by initialing the agreement, the ex-dictator was forced to cancel it publicly. A few days later he fell from power.

It seems that the wheel of fortune in Argentinian politics has now gone full circle. Paradoxically, Frondizi's election was accomplished largely with the active help of Peron, without whose two million followers he could never have won against his middle-of-the-road opponent. Furthermore, according to the latest reports, Frondizi has now become convinced that, despite Argentina's huge oil reserves, she can never become self-sufficient in oil without the assistance of private American firms. Meanwhile, oil imports are the major drain on the country's economy. Last year they amounted to $300 million, out of a total balance-of-payments deficit of some $350 million. Since Frondizi can obviously not abandon his support of the government oil monopoly whose defense had been his chief election platform, he seems to be faced with the familiar dilemma of one who wants to have his cake and eat it too. Apparently, he hopes to find American companies that will finance and carry out oil production under contracts with the Argentinian government, against compensation in cash or oil. Such arrangements are certainly feasible. They exist in Mexico. But for a man who once severely criticized Peron for permitting any private oil companies to exist alongside the government oil monopoly, it would be quite a step.

Politically, Frondizi is certainly tied to Peron whose party will now be officially permitted to function again. That does not mean that he would like to see the dictator return from exile. Argentina is hardly big enough for two men like Frondizi and Peron. Since Frondizi is in, he will surely try to keep Peron out. Whether he can do so depends on future political and economic developments over which he may have little control.

In the economic field, Argentina's ills can be said to be compounded of inadequate agricultural and industrial production, lagging exports and massive imports, resulting in the country's getting progressively weaker in foreign exchange holdings, a lack of electric power that could help industrial expansion, internal budgetary deficits and painful inflation, undermining the whole economic structure.

In attempting to cure these ills, Frondizi is again faced with a dilemma. In order to satisfy the political coalition of Peronists, Communists and ultranationalists which has put him into power, he must adopt a more intransigeant policy toward the $470 million of American investment, particularly the utility companies (American and Foreign Power subsidiaries), and against the British-owned meat-packing plants. On the other hand, he seems to be aware of the country's dire capital shortage which can only be remedied by massive capital injections from abroad. For all practical intents and purposes, this means the United States. Frondizi has, therefore, made no statement since his election which could be construed as being critical of foreign capital. On the contrary, he has cautiously indicated that

he would welcome it. U.S. investment in Argentina seems, therefore, to be fairly safe for the time being, though it is clear that its chief of state has no great love for it.

The situation could change, however, if the USSR managed to convince Argentinian leaders that it could fulfill the role of capital exporter as well as the United States. Attempts to this effect are already under way, particularly in the politically sensitive oil sector. If the Soviet propaganda succeeds, it would certainly spell trouble for all United States interests in Argentina.

BRAZIL

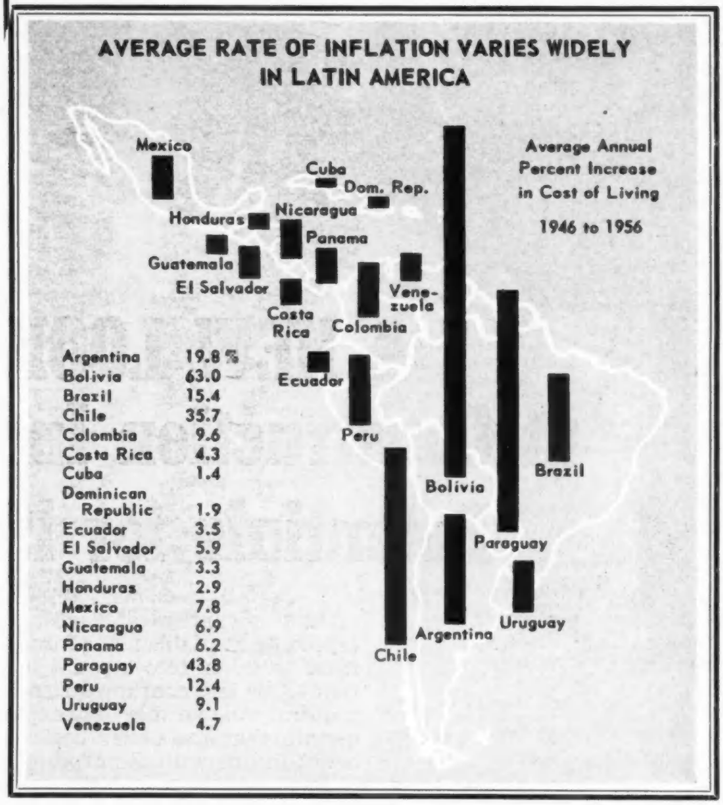
There has been no recent political upheaval in Brazil. But its economic situation is, if anything, even worse than that of Argentina. It has a growing coffee surplus, in the face of declining world coffee prices and it is adding fuel to its inflation by large-scale government purchases of surplus coffee which are financed simply by printing more money. The result is that the country's dollar reserves had plunged to less than $10 million in December 1957, against $100 million a year before.

Since Brazil, with a territory larger than that of the United States and 62 million inhabitants, is, by far, Latin America's most important country, it is here that the Soviet bloc is making its chief gambit for economic penetration of Latin America. The fact that Brazil has not had diplomatic relations with the USSR since 1947, does not seem to bother the Soviet traders. Their first major offer, made at the end of last year, included ample shipments of oil, drilling and refining equipment, 5,000 Moscovitch cars for the officers of the powerful Club Militar, to soften the armed forces' traditional hostility to Soviet ties, and imports by Iron Curtain countries of coffee, cotton, cacao, sugar, minerals and hides, all products of which Brazil currently has a surplus. According to unconfirmed reports, the USSR is prepared to sell Brazil $560 million worth of products and machinery in 1958 and would agree to import $280 million of Brazilian products.

These reports may well have had something to do with the sudden decision of the U.S. government to approve a long-delayed $100 million loan for Brazilian railroad improvement. But it looks as if Soviet-Brazilian trade will become a reality just the same in the near future. In the words of Finance Minister Jose Alkmin, "nobody should be surprised if we sell Russia coffee shortly. We will sell anybody who wants to buy in any part of the world."

With coffee exports, so far, this year at only half those of the like period of last year, this seems understandable, though what the Soviet Union would do with the coffee is not clear, since Russians, Poles and Chinese are all tea and not coffee drinkers. Russia has been cutting prices below the market on other products—why not coffee. Soviet investment in Brazil is as yet no more than an unsubstantiated promise. But, as in Argentina, the promise has been combined with an appeal to Brazil's nationalistic oil policy. Petrobras, the government monopoly which has struggled along for years without being able to develop the country's oil deposits to their fullest extent, is to be given Soviet technical and financial assistance. Since the United States government has made it a policy not to lend public funds to state oil monopolies abroad, such a move might well embarrass us, which is exactly what the Soviet Union would like. Brazilian President Kubitscheck would probably prefer to let private American firms do the job but with an estimated 400,000 Communists and fellow-travelers who are continuously fanning the flames of nationalism and anti-capitalism, he may have to acquiesce to the councils of the many Brazilian leaders who have recently come out in favor of stronger economic ties with the Soviet bloc.

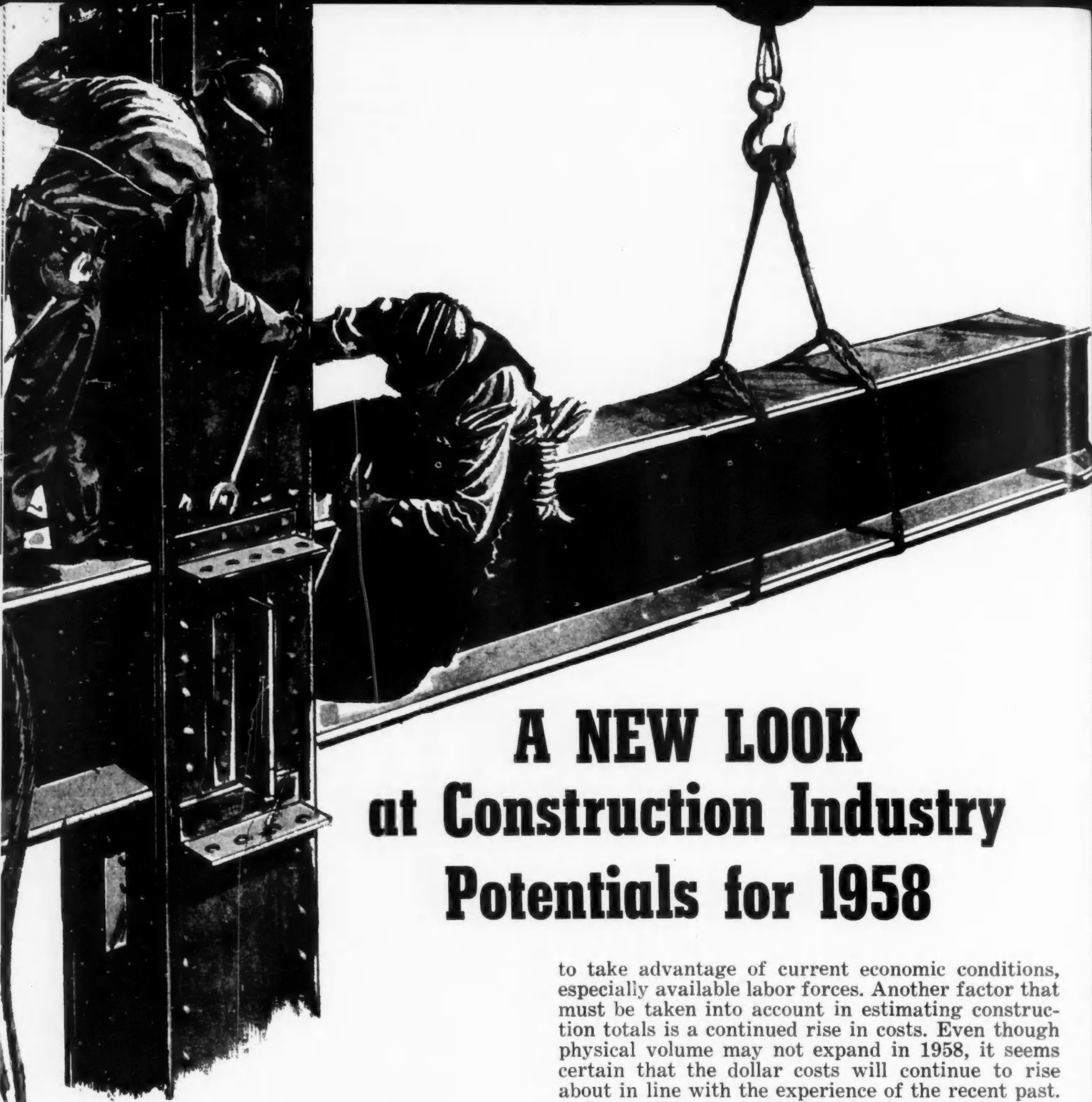
AVERAGE RATE OF INFLATION VARIES WIDELY IN LATIN AMERICA



VENEZUELA

So far, the post-revolutionary period has not brought any unpleasant surprises to American business firms which have more money invested in that country than anywhere else outside the U.S. and Canada. There are no labor troubles, no counter-revolutionary plots and no public expressions of anti-American sentiments. Of course, the country is somewhat less than pleased about America's increasingly restrictive oil import policy. But it is hoped that this policy reflects temporary recession measures, rather than a basic change of attitude.

Venezuela's new *(Please turn to page 771)*



A NEW LOOK at Construction Industry Potentials for 1958

BY FRANK L. WALTERS

ALTHOUGH activity in some important phases of industrial and commercial construction appears headed much lower this year, offsets are likely to be found, including such proposals as Housing Administrator Albert M. Cole's $1.35 billion program for slum clearance and urban development programs, Senator Sparkman's request for a $1.5 billion revolving fund for purchase of federal housing and G.I. home mortgages—as well as the Administration's discussion of more billions to power a speed-up in the highway program.

In home building, hopes are being centered importantly on an expansion in credit, and the relaxation in restrictions on use of funds resulting from lowering of the rediscount rate and modification of restrictions on mortgage loans. Consideration of public works projects has been spurred by a desire to take advantage of current economic conditions, especially available labor forces. Another factor that must be taken into account in estimating construction totals is a continued rise in costs. Even though physical volume may not expand in 1958, it seems certain that the dollar costs will continue to rise about in line with the experience of the recent past.

As was the case in 1957, probably most of the rise in expenditures on new construction will be found in public works. Fairly substantial changes are expected in private projects, but a recovery indicated for residential building may be wholly offset by a slump of 53% in industrial and commercial demands. Even though many corporations are maintaining their expansion plans on schedule, others have announced modifications. In the chemical and paper industries, for example, where substantial enlargement of facilities was in progress in 1956 and 1957 some curtailment has been noted.

For the economy as a whole, a relatively prosperous construction industry is important. In the building category, including renovation and repairs, total expenditures usually approximate about 15 per cent of the Gross National Product, so that if this segment is maintained on a relatively high level it could go far toward sustaining general business in

Statistical Data on Leading Building Supply Companies

	Earnings Per Share			Dividends Per Share			Recent	Div.	Price Range
	1955	1956	1957	1955	1956	1957*	Price	Yield	1957-58
Alpha Portland Cement	$2.72	$3.75	$2.90	$1.25	$1.50	$1.50	31	4.8%	39 -23½
American Encaustic Tiling	1.57	1.56	1.87	.70	.70[1]	.70[1]	15	4.6	17⅞-11⅞
American-Marietta Co.	1.03	1.95	2.39	.56	.72	1.00	33	3.0	38½-26½
American Radiator & S.S.	2.22	1.65	1.05	1.34	1.40	1.00	13	7.6	18⅛-10¼
Armstrong Cork	2.81	2.56	2.10	1.50	1.50	1.30	25	5.2	30 -20¼
Bestwall Gypsum Co.	6.18	5.22	4.17	.....	.....	[2]	40	....	54¼-30¼
Carey (Philip) Mfg. Co.	3.04	3.01	3.25[5]	1.60	1.60	1.60	27	5.9	32½-21
Carrier Corp.	4.82	5.00	3.17	2.35	2.40	2.40	35	6.8	65¼-31⅛
Celotex	5.49	6.43	3.53	1.75	2.40	2.40	30	8.0	38¼-23¼
Certain-teed Products	1.70	1.13	1.00[5]	1.25	1.25[3]	.60	9	6.6	11⅜- 8
Congoleum-Nairn	1.81	.59	(d) .25[5]	1.10	1.20	.40[4]	8	....	17 - 6⅝
Crane Co.	3.60	4.40	2.75[5]	2.00	2.00	2.00	28	7.1	36¾-22
Flintkote	3.40	3.70	3.83	2.40[1]	2.40[1]	2.40[1]	40	6.0	46½-34⅛
General Portland Cement	3.94	4.58	3.36	2.00	2.25	2.30	60	3.8	68 -47⅝
Holland Furnace	1.24	.56	.60[5]	1.00	.90	.60	10	6.0	16⅛- 9
Johns-Manville	3.67	3.50	2.48	2.12½	2.25	2.00	37	5.4	52¼-34¼
Lehigh Portland Cement	2.96	3.45	1.70	.80	1.00	1.00	32	3.1	45¾-26½
Lone Star Cement	2.04	2.23	2.20[5]	1.00	1.02	1.10	33	3.3	40⅛-25¼
Marquette Cement	2.26	2.74	2.71	1.08	1.30	1.40	33	4.2	35⅞-25
Masonite	4.42	4.98	3.50	1.55[1]	1.70[1]	1.20[1]	29	4.1	35¼-23¼
National Gypsum	4.61	3.61	3.16	2.00[1]	2.00[1]	2.00[1]	44	4.5	47¼-35⅛
Otis Elevator	3.00	3.10	3.50[5]	1.62½	2.00	2.00	47	4.2	49½-38¾
Penn-Dixie Cement	2.59	2.97	1.85[5]	1.00[1]	1.20[1]	1.20	29	4.1	40½-21
Pittsburgh Plate Glass	6.26	5.62	5.65[5]	2.50[1]	2.75	2.75	68	4.0	85⅜-64
Pratt & Lambert	5.65	6.07	5.70[5]	3.25	3.25	3.25	52	6.2	57½-48
Ruberoid	3.05	2.90	3.25	2.00	2.00	2.10	36	5.8	37⅜-28
Sherwin-Williams Co.	8.89	10.49	11.38	4.12½	4.75	5.12½	134	3.9	144-109¼
Trane Co.	1.92	2.90	2.75[5]	.66	.72	.90	46	1.9	56½-36
U. S. Gypsum Co.	4.98	5.01	4.78	2.20	2.50	2.75	70	3.9	76 -51¼
U. S. Plywood	4.60	3.24	2.90[5]	1.70	2.20	2.00	28	6.8	36½-24⅜
Yale & Towne	2.50	2.79	2.50[5]	1.00	1.28	1.50	25	6.0	34⅝-23⅛

***—Or latest 1958 indicated rate.** **[1]—Plus stock.** **[2]—Paid 3% in stock.** **[3]—Plus ⅓ share Bestwall Gypsum.** **[4]—Directors 8/19/57 omitted dividend.** **[5]—Estimated.**

Alpha Portland Cement: Expansion in shipments due to rise in public works projects expected to improve outlook in spite of rising costs which put squeeze on margins.

American Encaustic Tiling: Incoming orders running at about 95% of capacity, enabling management to enlarge inventories in anticipation of seasonal sales rise. Profit margins satisfactory. Earnings holding well.

American-Marietta: Encouraging outlook for recovery in building activity expected to find reflection in higher earnings. Benefits from acquisitions in last year or two should become more evident.

American Radiator: Favorable overseas results help cushion adverse domestic trend. Count on rebound in residential activity expected to aid 1958 volume. Economies instituted last year may help.

Armstrong Cork: If upturn indicated in housing and in school construction materialize, will contribute to larger shipments in hard surface coverings. New products help sustain sales volume. Modest earnings gain possible.

Bestwall Gypsum: Third largest factor in the gypsum industry was spun-off from Certain-teed Products in 1956. Earnings dropped to $4.17 a share in 1957 from $5.22 in 1956. Expansion program favors future growth. Initiation of cash dividends is problematical.

Carey (Philip) Mfg. Co.: Important producer of asphalt and asbestos products. Earnings for 1957 at $3.25 a share against $3.01 in 1956. Dividends should continue at the $.40 quarterly rate.

Carrier Corp.: Indicated down trend in industrial construction and threat of keener competition in air-conditioning point to prolongation of uncertainties in outlook. Reduced shipments may intensify profit squeeze.

Celotex Corp.: Prospects improved by settlement of long strike and by more encouraging outlook for residential activity. Plant expenditures to be reduced. Modest earnings recovery should sustain $2.40 dividend.

Certain-Teed Products: Increased demand for roofing materials should tend to bolster price structure and aid earnings recovery. Safety margin for 60-cent dividend remains relatively narrow.

Congoleum: Indications that excessive inventories of hard surface covering in retails channels have been removed provide more cheerful outlook. Operating economies point to likelihood of more satisfactory margins.

Crane Co.: Worst of profit margin squeeze believed to have been witnessed as inventories in distribution system are trimmed, thereby paving way for firmer price trend and increase in production rate.

Flintkote Co.: Slower pace in expansion and adoption of economy measures counted on to improve earnings picture this year, especially if more active residential construction boosts roofing sales.

General Portland Cement: Price increases on cement in Southern territory expected to boost margins this year, but prospects of important recovery are dampened by threat of still higher labor costs.

Holland Furnace: Continued downtrend in earnings poses threat to indicated 60-cent annual dividend in light of discouraging business outlook. Hope for recovery seems tied to merger potentialities.

Johns-Manville: Reduction of excessive inventories of building materials in hands of distributors expected to spur recovery in shipments, especially if residential housing continues improvement.

Lehigh Portland Cement: Expansion in road construction envisioned by optimists would go far toward improving position of this leading producer. But indications point to keen competition for early months.

Lone Star Cement: Recent reopening of Virginia plant points to hope of better demand for cement in important area where excess inventories had been noted. Prospects more encouraging for 1958.

Marquette Cement: Earnings well maintained in face of rising costs and reduced consumer demand. Cutback in output aimed at bringing supplies into balance expected to hold down earnings for near term.

Masonite Corp.: Prospect of maintaining firm price structure for hardwood regarded as reassuring. Stronger demand indicated for residential market. Earnings expected to compare favorably with 1957.

National Gypsum: Maintenance of excellent control over costs enabled company to register above-average results for a difficult year. Further expansion under consideration. Outlook for 1958 may be stable.

Otis Elevator: Vigorous uptrend in construction of office buildings and high rate of modernization point to continuation of satisfactory results this year. Further moderate profit rise seen.

Penn-Dixie Cement: Outlook for substantial recovery this year seems promising mainly because this company felt impact of labor problems more severely than most competitors. Margins still unsatisfactory.

Pittsburgh Plate Glass: Sharp decline in automobile output this year points to reduced volume in plate glass for major industry, but increased demand is anticipated for paint in residential market.

Pratt & Lambert: Trade surveys indicating recovery in sales of paint to home owners this year hold promise of increased volume. Keen competition from large producers and rising costs pose threat to margins.

Ruberoid Co.: Adoption of labor-saving equipment and other economies encourage hope for countering rising labor costs. Improved price structure in roofing expected to help sustain earnings this year.

Sherwin-Williams: Dominant factor in paint industry stands to benefit from increased demand for supplies by do-it-yourself painters. Outlook for long-term growth regarded as bright.

Trane: One of leading suppliers of air-conditioning equipment for industrial installations plans to expand into residential market with new product. Additional costs for product promotion anticipated.

U.S. Gypsum: Leading factor in gypsum wallboard and plaster would be logical beneficiary of a revival of activity in residential construction. Prospects encouraging for increased volume this year.

U.S. Plywood: A leading factor in the plywood industry. Despite a 7% increase in physical volume, earnings for fiscal 1957-58 may dip below the $3.24 of a year earlier. Dividends may hold at $.50 quar.

Yale & Towne: Indications point to better consumer demand for hardware, but reduced activity in industrial plants suggests that sales of fork lift trucks and similar mechanical equipment may decline this year.

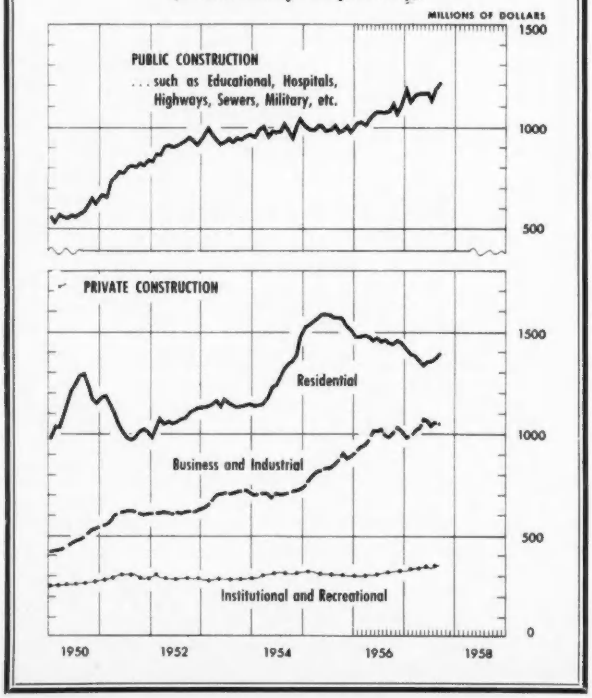
the face of a letdown in other areas, especially in the automotive and steel groups. It is reasonable to count on repairs and maintenance to account for slightly more than one-third of the volume contributed by new construction. Hence, if the latter should approximate $49 billion in 1958, repairs may add another $17 billion to bring the total to above $65 billion for the year.

As a matter of fact, a private forecast for the year by members of the Associated General Contractors of America, Inc., reached $68 billion, an upturn of 4 per cent over the 1957 record of $65.3 billion, which represented a rise of 3 per cent over the previous year. Variations in forecasts for 1958 are affected primarily by guesses on road construction. Expenditures on new highways have proved disappointing for two years, but an evident desire on the part of the Washington Administration to bolster business may impart new strength to road activity. In fact, engineering work and land condemnation proceedings have proceeded far enough to suggest that actual construction work can be accelerated substantially this year.

Whether or not enthusiasm over residential work is justified remains to be seen. The decline in the last two years from 1,328,000 non-farm dwelling units in 1955 to 1,118,100 in 1956 and slightly fewer than 1 million last year should warrant hope of a moderate recovery in 1958. New family formations are generally estimated at about 700,000 annually, while houses lost by fire, flood and old age have been averaging about 300,000 a year. There should be a market for approximately a million new homes annually—provided terms for financing purchases are satisfactory, and incomes permit.

This year however, as we move into the seasonally active building season, general business conditions are scarcely conducive to new home buying. Financing has been made easier by lowering of interest rates which contributed to an increase in funds available for mortgages. Moreover, federal agencies have co-operated by modifying regulations to make purchase easier. Potential homeowners appear inclined to move slowly in taking on additional obligations, however, when work weeks are being trimmed to four or even to three days and when the threat of layoffs is so formidable. Unstable working conditions in basic industries thus impose a handicap on residential constructon at a critical time.

Outlays for New Construction (Seasonally Adjusted)



Comprehensive Statistics Comparing

Figures are in mililons of dollars except where otherwise stated
CAPITALIZATION:
Long Term Debt (Stated Value)
Preferred Stock (Stated Value)
No. of Common Shares Outstanding (000)
Capitalization
Total Surplus
INCOME ACCOUNT: Fiscal Year Ended
Net Sales
Depreciation, Depletion, Amortization, etc.
Income Taxes
Interest Charges, etc.
Balance for Common
Operating Margin
Net Profit Margin
Percent Earned on Invested Capital
Earned Common Share*
BALANCE SHEET: Fiscal Year ended
Cash and Marketable Securities
Inventories, Net
Receivables, Net
Current Assets
Current Liabilities
Working Capital
Fixed Assets, Net
Total Assets
Cash Assets Per Common Share
Current Ratio (C.A. to C.L.)
Inventories as Percent of Sales
Inventories as % of Current Assets

Diverse Factors in Appraising Construction Industry

In discussing building prospects from the standpoint of the investor, most emphasis usually is placed on residential and road construction categories because these account for the greater part of materials usually supplied by companies in which the public has an interest. So far as building materials are concerned, the major publicly owned manufacturing concerns are vitally interested. The public has not been too actively interested in securities of cement producers until recent years when the highway program received so much attention. Stocks of concerns manufacturing road building equipment

the Position of Representative Building Supply Companies

	Alpha Portland Cement	American Encaustic Tiling	American Marietta	Armstrong Cork	Carrier Corp.	Celotex Corp.	Flintkote Co.	Johns-Manville	Lehigh Portland Cement	Masonite Corp.	Sherwin Williams	U. S. Gypsum
	$ 13.5	$ 1.9	$ 24.0	....	$ 58.4	$ 22.3	$ 12.8	$ 3.2	$ 30.0	$ 5.0	....	....
	....	....	$ 22.6	$ 16.6	$ 18.8	$ 5.1	$ 14.5	....	....	....	$ 13.5	$ 7.8
	1,760	705	9,869[1]	4,983	2,041	1,028	1,781	7,163	4,183	1,452	1,277	7,999
	$ 31.1	....	$ 66.4	$ 21.6	$ 97.7	$ 28.5	$ 48.0	$ 94.6	$ 97.3	$ 22.7	$ 45.5	$ 39.8
	$ 22.3	$ 6.0	$ 74.1	$120.5	$ 79.7	$ 42.4	$ 28.2	$111.7	$ 31.4	$ 33.7	$ 81.6	$205.5
	12/31/57	12/31/57	11/30/57	12/31/57	10/31/57	10/31/57	12/31/57	12/31/51	12/31/57	8/31/57	8/31/57	12/31/57
	$ 30.9	$ 12.2	$234.0	$246.5	$263.4	$ 68.6	$116.2	$308.2	$ 69.9	$ 58.6	$257.8	$249.6
	$ 1.9	$ .6	$ 6.7	$ 8.8	$ 5.9	$ 2.4	$ 3.9	$ 14.5	$ 10.3	$ 2.4	$ 3.2	$ 8.0
	$ 2.5	$ 1.5	$ 15.0	$ 11.5	$ 8.4	$ 3.4	$ 3.8	$ 11.6	$ 3.8	$ 5.0	$ 14.9	$ 33.2
	$ .3	$ .1	$ 1.0	....	$ 2.4	$ 1.0	$ 5	....	$ 1.0	$ .2	$ .1	....
	$ 5.1	$ 1.3	$ 16.1	$ 10.4	$ 6.6	$ 3.6	$ 6.7	$ 17.7	$ 7.1	$ .50	$ 14.5	$ 38.2
	26.2%	23.9%	14.9%	8.8%	6.5%	10.2%	10.3%	9.5%	19.0%	15.2%	11.4%	27.9%
	16.5%	10.8%	7.3%	4.4%	2.8%	5.6%	6.0%	5.7%	10.1%	8.6%	5.8%	15.5%
	12.7%	19.3%	14.7%	7.7%	6.6%	7.9%	9.2%	8.7%	7.2%	9.8%	11.8%	15.7%
	$ 2.90	$ 1.87	$ 2.39	$ 2.10	$ 3.17	$ 3.53	$ 3.83	$ 2.48	$ 1.70	$ 3.50	$ 11.38	$ 4.78
	12/31/57	12/31/57	11/30/57	12/31/57	10/31/57	10/31/57	12/31/57	12/31/51	12/31/57	8/31/57	8/31/57	12/31/57
	$ 7.5	$ 1.3	$ 9.5	$ 11.6	$ 30.4	$ 15.7	$ 2.4	$ 16.4	$ 7.9	$ 6.6	$ 32.3	$ 82.1
	$ 5.0	$ 1.0	$ 39.9	$ 34.3	$ 61.9	$ 6.6	$ 14.9	$ 32.9	$ 13.9	$ 7.4	$ 54.5	$ 23.0
	$ 1.5	$ 1.0	$ 28.3	$ 20.1	$ 54.2	$ 9.1	$ 10.9	$ 35.2	$ 3.1	$ 9.0	$ 26.2	$ 26.5
	$ 14.5	$ 3.5	$ 80.2	$ 67.4	$146.6	$ 31.5	$ 35.5	$ 84.6	$ 26.0	$ 23.2	$113.1	$131.8
	$ 3.9	$ 1.1	$ 34.2	$ 22.7	$ 41.2	$ 7.3	$ 10.7	$ 42.7	$ 7.0	$ 5.6	$ 25.9	$ 33.2
	$ 10.6	$ 2.4	$ 46.0	$ 44.7	$105.4	$ 24.2	$ 24.8	$ 41.9	$ 19.0	$ 17.6	$ 87.2	$ 98.6
	$ 42.2	$ 5.6	$ 88.1	$ 92.5	$ 61.1	$ 44.9	$ 58.4	$144.1	$ 83.8	$ 35.5	$ 39.5	$142.3
	$ 57.4	$ 9.9	$174.9	$166.8	$220.4	$ 78.9	$100.0	$257.8	$139.9	$ 62.2	$160.6	$278.6
	$ 4.23	$ 1.87	$ .97[1]	$ 2.32	$ 14.93	$ 15.31	$ 5.43	$ 2.30	$ 1.90	$ 4.88	$ 25.34	$ 10.27
	3.7	3.2	2.3	3.0	3.5	4.3	3.3	2.0	3.7	4.1	4.3	4.0
	16.3%	8.8%	17.0%	13.9%	23.5%	9.7%	12.8%	10.6%	20.0%	8.6%	21.1%	9.2%
	34.7%	30.6%	49.8%	50.9%	42.2%	21.1%	42.0%	38.9%	53.8%	32.0%	48.2%	17.5%

*—For data on dividend, current price of stock and yields, see table on page 745.

1—Includes 7,258,021 com. sh. and 2,611,563 Cl. "B" shares.

have been favored more broadly than in prior years.

Moreover, the boom in residential construction experienced a couple of years ago attracted much attention because it was so widespread. It is important, therefore, in appraising stocks represented in the broad building group to determine to what extent the companies serve various construction categories. It is essential also to see whether the important categories served are faring well. Thus, a cement manufacturer might experience prosperous conditions from an accelerated highway program, while a producer of heating and plumbing supplies would be handicapped if residential activity failed to come up to expectations. Other factors also are important—especially profit margins affected by competition and by the stability of price structures in the various segments of the industry.

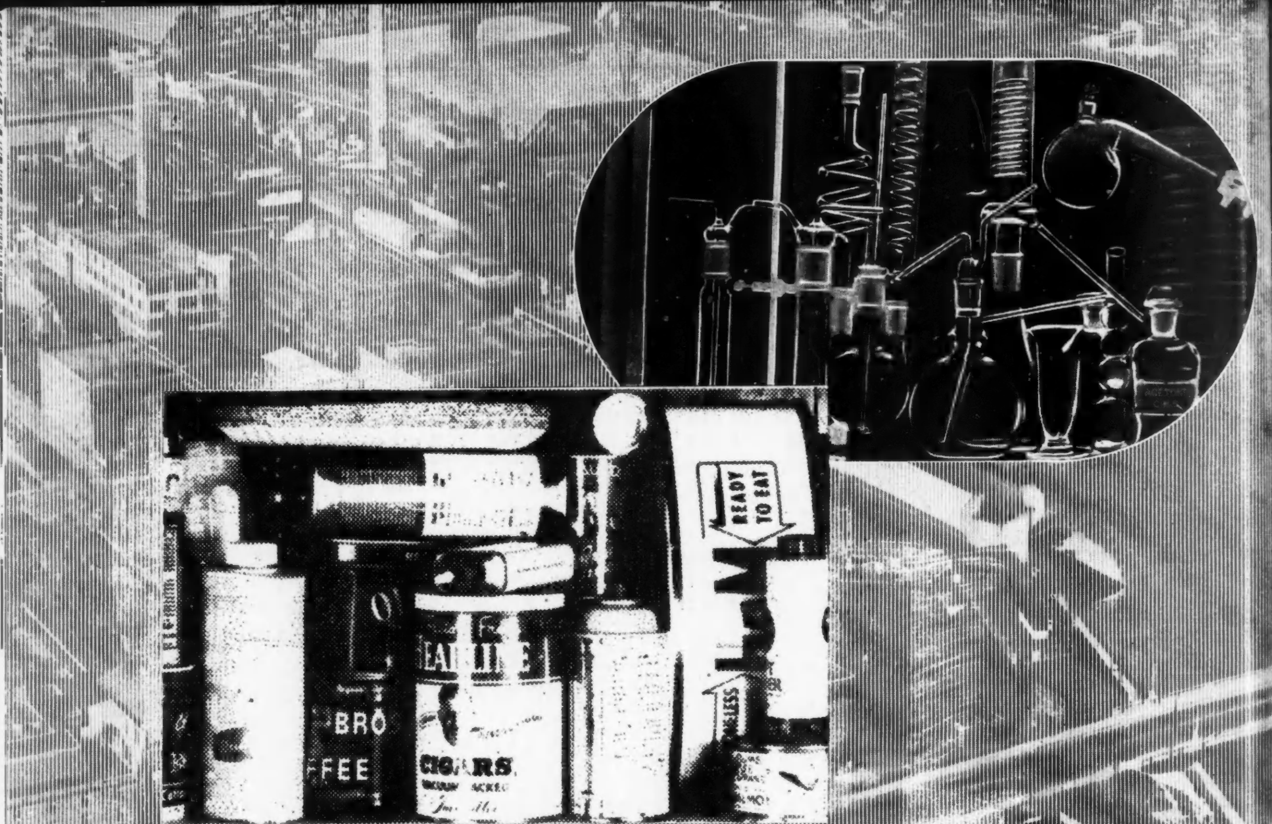
Reference to the accompanying tabulation and the subjoined brief comments on individual companies will prove helpful in judging prospects for numerous concerns represented in the industry. Current statistics supplied by the Commerce and Labor Departments monthly, shed light on underlying trends in building, while interim statements of individual concerns also are enlightening in aiding the investor.

Hope for more satisfactory results this year than in 1957 is based on two principal factors: (1) Indications of at least a moderate improvement in demand for materials and (2) firmer price trends made possible by removal of excessive supplies. Although lumber and plywood have sagged from high levels obtained a year or so ago, prepared paint, asphalt roofing and cement quotations have advanced. Some isolated increases have been effected in plumbing supplies. Gypsum and wallboard prices have been well maintained.

Government Stimulants to Building

For companies supplying needs for public works projects—highways, hospitals, schools, military bases for missile sites, etc., and postoffices—the outlook is pleasing. Last month's announcement by the Washington Administration that it was prepared to undertake a $2 billion program for modernization and enlargement of postoffice buildings afforded an illustration of what may be set in motion as an antidote for a recession. Although work on postoffices may not in itself seem too important as a stimulant, the program likely would give impetus to public works plans of states and municipalities that could prove much more significant.

As a matter of fact, a rash of municipal financing in the last several weeks, made possible by a lowering of interest rates, holds promise of giving impetus to public works projects (*Please turn to page* 770)



HOW GLASS AND METAL CONTAINER COMPANIES WILL FARE THIS YEAR

BY CHARLES GRAYSON

The American housewife's penchant—and indeed that of her husband as well—for easier and cleaner living has been largely responsible for the rise of the container industry to its present vast size. One of the largest, most basic and fastest growing industries in modern-day America, the packaging industry clearly reflects the dynamic forces which have provided the progress and prosperity which our economy enjoys today. Best illustrative of the industry's size, perhaps, is that Americans are now said to pry open more than 400 billion containers of all types annually, with a value of some $10 billion.

Competition Keen

No better testimony of the packaging industry's dynamic development can be found than by quickly looking at the record of the American Can Company, the world's largest manufacturer of metal containers. Organized in 1901, its annual sales volume has grown from a meager $25 million to more than $750 million a year ago, in which period of time the number of employees has more than tripled to some 35,000.

Coinciding with the industry's growth has been the development of strong competitive forces, which have served to spark technological evolution. Certain it is that although the finished forms and raw materials of the various types of packaging are vastly different, bottles, boxes and cans are essentially competitive. That manufacturers have substituted packaging as dictated by costs and convenience is illustrated by the fact that fiber milk containers have captured from glass some 80% of milk sales at the retail level. On the other hand, the nation's glass makers including Owens-Illinois and Anchor Hocking have not rolled over to play dead, but have fought back to seize an increasingly large slice of the baby food container market.

This process of competitive growth is no novelty to American industry. As the horse and mule were

replaced by gas-powered vehicles, so have wooden barrels and cloth bags succumbed to newer forms of packaging. The keen competition among the container producers has spelled opportunity for the alert package maker, and loss of sales for those who have failed to recognize and adopt the multi-fold new developments.

Diversification Popular

Since containers are so interchangeable, the industry has been confronted with the critical question of whether a manufacturer would not actually be better off by making all types of packaging. The customer would then have available a broad line of containers for his choice, while the manufacturer would achieve a degree of insurance against outside competition. While the various units in the industry have of course approached this problem in different ways, diversification seems clearly to be the dominant trend today.

Best known battlers on the diversification issue are the **Continental Can Company** and the **American Can Company**. After a no-let-up chase lasting more than half a century, Continental Can has finally surpassed its greatest rival, the American Can Company in both sales and profits. The underlying reason for this victory seems to have been Continental Can's vigorous campaign of diversification supervised by General Lucius D. Clay, U. S. Army, retired, the company's Chairman. Clay's avowed aim of presenting his customers with a choice of packaging has meant buying-up a whole raft of companies since he joined Continental Can in 1950. He was busiest in 1956 when he absorbed Hazel-Atlas Glass Company with assets of some $38 million and the Robert Gair Company with assets of almost $135 million.

The broad scope of Continental Can's activities today is clearly pointed up by a break-down of its product lines. Metal containers and products accounted for about 53% of consolidated sales a year ago. Glass and plastic products equalled some 16%, paper products 26%, with 5% in the miscellaneous category including overseas and Canadian activities. Continental Can is now the nation's second largest producer of metal cans, with almost 60% of sales going to packers and the remainder for beer, motor oil and other non-food lines. Glass and plastic operations are carried on by the Hazel-Atlas Division and by plants of the Shellmar-Betner and White Cap and Bond Divisions, which produce vacuum type metal closures and metal crowns. The Robert Gair paper products group produces boxboard and folding cartons, fiber drums, corrugated boxes and kraft paper.

American Can on the Move

On the other side of the fence stands American Can Company which has concentrated on building up its can business. The company has relied heavily on research and cost reduction to improve its position in metal containers. And in fact, Canco's President Stolk's answer to General Clay is fundamentally that regardless of Continental Can's merger activity, it will continue to play second fiddle to Canco in the production of cans, to Container Corporation in boxes, and to Owens-Illinois in glass making. But it seems that for all of Stolk's concentration on the can business, he is quite aware of the dominant industry trend to broaden product lines, and is thus moving with vigor to assure his company's competitive position. American Can went into the fiber milk container line a few years ago, and is now one of the nation's largest producers in this field, accounting for some 15% of domestic packaged milk sales. Strong testimony to Stolk's increasing appetite for new products is his acquisition last year of the Bradley Container Corporation, the Pittsburgh Plastics Corporation, the Sun Tube Corporation, the Dixie Cup Company and the Marathon Corporation. The last two have put Canco squarely into the production of paper cups, paper containers, various paper products and food packaging materials.

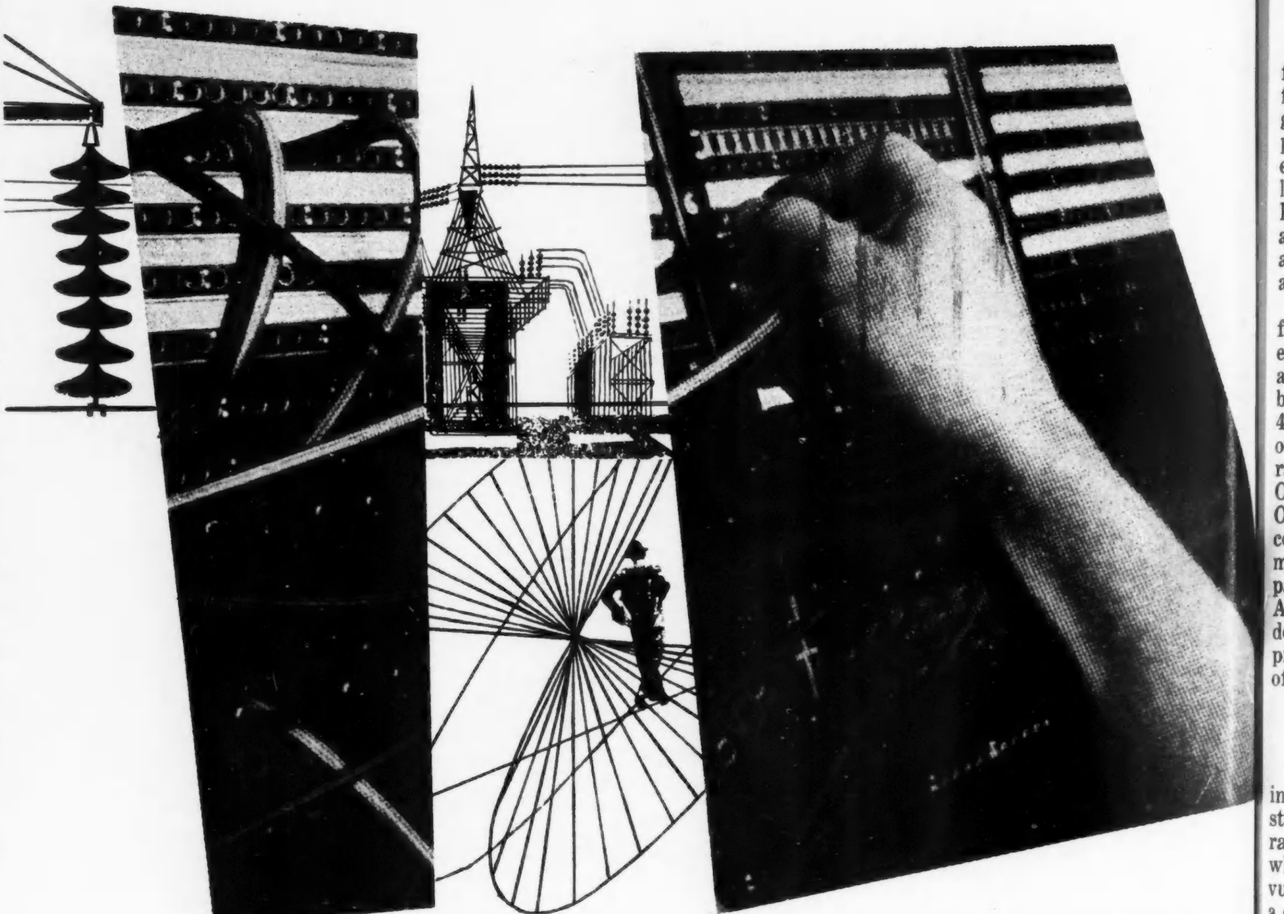
Through these companies, Canco has been able to expand rapidly its operations into fields which it considers to have sound growth prospects. Furthermore, the company has developed a much better product "mix," an important consideration for the better utilization of facilities, materials and technical know-how. Canco's long range expansion program thus has in fact already brought about a substantial degree of diversification. For example, it now manufactures metal containers for some 1,500 different products; a wide range of Canco paper containers as well as a full line of Dixie paper products for consumer and industrial use; plastic tubes, bottles and containers; collapsible metal tubes; extruded aluminum products for a wide and growing range of basic industries, and plastic cups and nozzles as well as plastic parts for industrial and consumer goods. Metal (*Please turn to page* 763)

8 Glass and Metal Containers

	1956			1957					
	Net Sales (Mil.)	Earnings Per Share	Div. Per Share	Net Sales (Mil.)	Earnings Per Share	Indicated Current Div. Rate	Price Range 1957-58	Recent Price	Div. Yield
American Can	$ 978.8	$2.92	$2.00	$1,006.3	$2.72	$2.00	45⅞-37¼	43	4.6%
Anchor-Hocking Glass	7.6[2]	2.62[2]	1.80	11.8[2]	3.74[2]	2.00	47 -31¼	46	4.3
Armstrong Cork	247.4	2.56	1.50	246.5	2.10	1.30	30 -20¼	25	5.2
Continental Can	1,010.2	3.72	1.80	1,046.2	3.52	1.80	48 -38	44	4.0
Crown Cork & Seal	88.5[2]	.72[2]	.20	89.3[2]	[d] .13[2]	.....	16½-10½	15	....
National Can	63.5[2]	1.73[2]	[1]	71.8[2]	1.53[2]	[1]	15¾- 9½	10	....
Owens Illinois Glass	495.9	4.49	2.50	510.4	4.55	2.50	66⅜-50¾	64	3.9
Thatcher Glass	39.0	2.46	1.10	42.0	3.16	1.20	26 -17⅝	22	5.4

[d]—Deficit.

[1]—Paid 11% stock in 1956; 6% stock in 1957.
[2]—9 months ended September 30.



Communication Industry Plans Continued Expansion

By JOHN NORTHRUP

◆ The telephone industry continued its rapid expansion last year, the Bell System reporting an increase of 2,815,000 telephones in service, or a gain of nearly 6%. Long distance conversations increased more than 7%, and plant investment increased 12% to $19.1 billion. With net income of $830 million, ***American Tel. & Tel.*** superseded General Motors as the country's largest profit maker.

AT&T and its subsidiaries spent over $2.5 billion last year for construction, to modernize and enlarge facilities. About $1 billion of this became available from depreciation charges, retained earnings, etc., while the remainder was supplied by new financing, mainly through sale of bonds. (The company had ended 1956 with a strong cash position, due to the sale of $752 million of common stock in October and November.) Currently the System is returning to its traditional method of financing and is offering stockholders rights (recently selling around $3) to subscribe for $718 million convertible debenture 4½s due 1973. The proceeds will be used to financ new telephone facilities.

Earnings Growth Slowed in 1957

Communications companies along with other utili ties made a creditable showing last year, but th gains in per share earnings reported in recent year were slowed in some cases by higher costs and by th general decline in business which gained momentu late last year. American Telephone's earnings can b stated in four different ways as follows:

	On Average Shares		*On Actual Shares*	
	1957	*1956*	*1957*	*1956*
Consolidated System Basis	$13.00	$13.16	$12.84	$12.0
Parent Company Basis	10.75	10.74	10.61	9.8

General Telephone's earnings, which had increased from 95¢ in 1947 to $3.05 in 1956, remained at this figure in 1957 but are expected to show a modest gain in 1958. Most other leading independent telephone companies have not issued reports for the calendar year 1957 as yet, but interim reports do not look very auspicious except in one or two cases. However, a large number of rate cases are pending and allowance must be made for "regulatory lag" and the effect of ultimate decisions as they are announced.

In the past year the communications stocks have followed roughly the same trend as the stocks of electric and gas utilities. American Tel. & Tel., probably the most stable stock in the group as well as the bell-wether, reached its high of about 180 on March 4, 1957 and its low of 160 on October 22. As with other utilities, the decline seemed due largely to the rapid rise in interest rates, and during August-October to the decline in the general market. Since October the utilities have enjoyed a remarkable come-back along with the bond market, but the communications stocks have lagged somewhat as compared with electric utilities. As of recent date American Tel. had recovered about two-thirds of its decline and General Telephone a somewhat larger proportion, while Western Union showed a recovery of about 42%.

Earnings Stability May Be Tested

What about future price trends? The course of interest rates and business activity may tell the story. The utility group benefits by low interest rates, because of the immense amount of financing which it has to do. The utilities are not especially vulnerable to a moderate recession in business, but a deep depression would be another story—especially for the communications utilities, which are more cyclical than the electric and gas. It is easier to take an extra telephone out of service (particularly in a business office) than to give up using electric appliances. The telephone companies have a bigger wage burden in relation to revenues than the other utilities (excepting the transit companies) and don't have some of the "built-in safeguards" for earnings that the electric utilities enjoy. However, there is little indication as yet that the present recession has had really adverse affects on the communications companies, but the real test will come if the recession fails to run its course during the summer months. American Tel. & Tel. is well protected by its high equity ratio, and a future cut in the $9 dividend rate would appear almost unthinkable.

Telephone companies continue to make plans for the future—for modernization and mechanization of facilities as well as continued growth. Last year the Bell System converted a million more telephones to dial service, bringing the proportion up to 92% of the number in service. Individual lines were provided for 1,600,000 more families, so that many of them could discontinue party line service. The number of additional instruments in homes which have more than one telephone increased nearly 1,050,000. The quality of long distance service was improved, with the average speed of connection reduced to 72 seconds. Direct distance dialing has now been extended to some five million customers, while another ten million can now dial nearby cities and towns.

Active Research Pays Off

The Bell System has been active in building new telephone cables to replace the less reliable trans-ocean radio-telephone service. The first telephone cable across the Atlantic (as distinct from the many telegraph cables long in use) was completed in 1956 and has proved so popular that a second is now being laid. The company also laid a cable in the Pacific Ocean to Hawaii, which went into service in October, with conversations increasing some 30% as a result. These cables are the culmination of many years research by Bell Laboratories and Western Electric, since it was necessary to incorporate in the cables themselves (which still had to be flexible enough to be laid easily) the necessary devices to step up the electric signals representing the human voice.

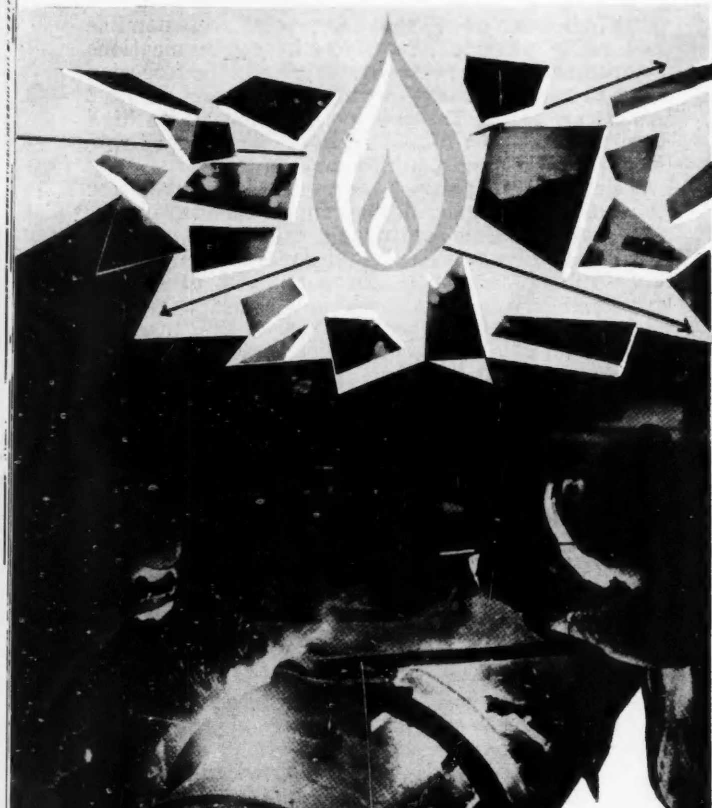
Use of the cables has substantially increased the amount of overseas business. Bell Lab is now working on a new device called TASI to increase the capacity of the cables. Today's twin cables can carry 36 conversations at once, but by using the cables during the brief times when people are listening or pausing, the company (*Continued on page* 766)

9 Major Communications Companies

		1956			1957					
	Total Assets* (Millions)	Total Operating Revenues (Millions)	Net Earnings Per Share	Div. Paid	Total Operating Revenues (Mil.)	Net Earnings Per Share	Latest Indicated Div. Rate	Recent Price	Div. Yield	Price Earnings Ratio
American Tel. & Tel.	$22,041.3	$5,825.3	$12.02	$9.00	$6,313.8	$12.84	$9.00	172	5.2%	13.4
Bell Tel. Co. of Canada	1,183.0	273.9	2.40	2.00	302.9	2.15	2.00	42	4.7	19.4
General Telephone Corp.	1,257.5	238.5[5]	2.54[5]	1.85	284.5[5]	3.11[5]	2.00	43	4.6	13.8
International Tel. & Tel.	760.8	376.3[1]	2.76[1]	1.70	471.1[1]	2.35[1]	1.80	30	6.0	9.5[2]
Mountain States Tel. & Tel.	640.5	207.5[3]	8.71[3]	6.60	230.3[3]	9.26[3]	6.60	119	5.5	12.8
New England Tel. & Tel.	973.4	307.8	9.01	8.00	324.2	8.11	8.00	133	6.0	16.4
Pacific Tel. & Tel.	2,648.7	781.4	8.47	7.00	852.2	8.00[2]	7.00	123	5.6	15.3
Rochester Telephone Co.	82.6	20.3[4]	1.64[4]	1.00	21.2[4]	1.34[4]	1.00	19	5.2	14.1
Western Union Telegraph	313.4	252.5	2.21	1.00	259.9	2.03	1.20	17	7.0	8.3

*—Latest reports.
[1]—9 months ended Sept. 30
[2]—Estimated.
[3]—12 months ended Nov. 30.
[4]—12 months ended Sept. 30.
[5]—12 months ended Oct. 31.

NOTE:—Peninsular Telephone Co., merged with General Telephone Co., October, 1957.



VARYING EARNINGS OUTLOOK FOR 5 NATURAL GAS DISTRIBUTORS

BY KENNETH HOLLISTER

FOR the month of February, weather has stolen the headlines in over one half of the country, and the proponents of a "good old fashioned winter" should be more than gratified. The winter, in addition to being severe, surprised many by its protracted visit to the normally milder areas. Almost eight consecutive weeks of near freezing temperatures in the southeastern states have made this the coldest winter on record. Elsewhere east of the Rockies the cold snap was of about three weeks duration, but life was considerably complicated by several feet of snow and strong, driving winds.

As recent winters have been relatively mild, the current extreme conditions have led to speculation about the effect on sales of heating fuels and particularly natural gas. It need hardly be pointed out that practically every gas distribution system in the affected areas has been operating at peak capacity, which in turn should prove highly beneficial to earnings. In evaluating stocks of these companies, however, it is important to remember that over the long run, basic elements of growth, characteristics of the service area and regulation are more significant than earning swings resulting from unusual weather conditions. Nevertheless, earnings of most gas distributors in the cold belt are likely to reach record highs in the first quarter of 1958 and in many instances the market has partially reflected this prospect. For example, Alabama Gas has risen from a low point of 24 in January to 28; Brooklyn Union has advanced 3 points in the same period to 37; Laclede Gas Co. is selling at 16 compared with a price of 14 a month ago and Washington Gas Light rose from 34 to 38. On the west coast, Pacific Lighting has endured a period of particularly mild weather and now is selling at 42, only a point higher than a month ago. As these companies represent something of a geographical cross section, a review may be helpful in evaluating the overall investment merits of the gas distribution industry.

Alabama Gas Corporation serves a broad east-west band running completely across the center of the state, practically all the major cities including Birmingham and its suburbs, Montgomery, Gadsden and Tuscaloosa being in the service area. In common with most other parts of the south their economy has

burgeoned and diversified during the past ten years, significantly reducing the former dominance of the cotton crop and steel manufacturing. Housing construction has been at high levels and customer additions have been above average.

Overall long term growth prospects are still favorable although the current recession may tend to delay realization of anticipated goals. In this respect it may be noted that sales to mills in the Birmingham area appear to have been reduced since September 1957. While revenues from such sales are partially protected from sharp declines, earnings growth may tend to lag unless there is an upturn in iron and steel manufacturing by the middle of the year. Housing starts also are lower since last September than in the previous year, which has led the company to cut back its 1958 construction program. Usage of presently connected customers, however, continues to improve as new appliances become available. The company also hopes to connect a substantial number of residential gas air conditioning units this year, which could be beneficial.

To meet anticipated growth, the company's supplier, Southern Natural Gas, has been asked to provide additional gas in 1958 and in 1959. Management of the pipeline has indicated that expansion is contingent on the United States Supreme Court decision in the Memphis case (see Natural Gas Industry under New Court Decisions, MWS Jan. 4, 1958). New facilities will not be constructed unless adequate earnings to support the expansion are realizable. Should pipeline gas be withheld, Alabama Gas proposes to materially enlarge its propane "peak shaving" facilities to meet the anticipated growth. Pending clarification of Southern Natural's rate problems, the Alabama Utilities Commission has authorized the company to recover from its customers (subject to refund) any additional amounts paid for gas.

While temperatures in Birmingham have averaged 18% below normal since the first week in January (42% below normal for the week ended February 16, 1958) earnings will not fully reflect the peak sales because of the necessity of obtaining high cost gas during periods of greatest demand. Under normal conditions natural gas purchased from a pipeline supplier is adequate to meet system demands. When low temperatures cause peak demand other types of gas are manufactured or withdrawn from storage to serve customers' requirements. Known as "peak shaving" gas, it is invariably two to three times as expensive as pipeline flow gas, consequently reducing the profit margin on sales made during peak periods. To some degree this problem affects all distributing companies during periods of extremely cold temperatures.

For the fiscal year ended September 30, 1957, earnings per share dropped to $2.18 compared with $2.40 for the prior year. The decline resulted primarily from a heating season 24% warmer than normal. Had weather been normal, 1957 earnings would have been close to $2.37. For the coming fiscal year management has estimated earnings at $2.50 based on normal weather. In view of the extended period of cold weather in the south, and allowing for somewhat lower industrial sales prospective earnings for the year are likely to be in a range of $2.60 to $2.75. No change in the current $1.60 dividend is foreseen this year.

Brooklyn Union Gas Company reported earnings of $2.92 for 1957 (calendar year) compared with $2.82 for the preceding year, despite unusually warm weather. The earnings gain primarily reflects connection of 16,800 new space heating units, an all time high.

Sales of the additional units were promoted by a rate reduction placed in effect March, 1957 and by the acquisition of Kings County Lighting Company and New York and Richmond Gas Company. Combined, these two factors provided a price incentive to prospective customers and a broad new area in which to merchandise gas space heating. Of the new connections, 3,600 were installed in new construction (92% of houses built in the service area) and the rest represent conversions from other fuels. This record bespeaks an aggressive, effective merchandising organization which materially enhances future growth prospects of the company.

Earnings for 1957 also benefitted from reductions in operating costs permitted by joining the three companies. Administrative costs were lowered by combining the operating departments and instituting machine billing for the two new properties. Further economies probably will be realized over the coming year.

Through the end of 1957 weather continued warmer than normal in the New York area but after January colder weather prevailed. January was 7% colder than normal and for the first three weeks in February temperatures were 23% below normal. Brooklyn Union met demands of this peak period by withdrawals from underground storage (operated by one of its pipeline suppliers) and by manufacturing gas. It is expected that earnings for the first quarter of 1958 will surpass the *(Please turn to page 768)*

6 Gas Companies Aided By Special Factors

	1956			1957					
	Total Operating Revenue (Mil.)	Net Earnings Per Share	Div. Per Share	Total Operating Revenue (Mil.)	Net Earnings Per Share	Current Indicated Div.	Recent Price	Div. Yield	Price Earnings Ratio
Alabama Gas Corp.	$ 27.5	$2.36	$1.47	$ 28.3	$2.30	$1.60	28	5.7%	12.1
Brooklyn Union Gas	58.8	2.82	1.90	n.a.	2.92	2.00	37	5.4	12.6
Laclede Gas Co.	43.6	1.09	.74	47.9	1.31	.90	16	5.6	12.2
National Fuel Gas	81.1[1]	1.66[1]	1.02½	81.4[1]	1.35[1]	1.10	19	5.7	14.0
Pacific Lighting	223.8	2.84	2.00	239.6	2.42	2.00	42	4.7	17.3
Washington Gas Light Co.	48.3	3.04	2.00	50.8	2.77	2.00	38	5.2	13.6

n.a.—Not available. [1]—12 months ended Sept. 30.

FOR PROFIT AND INCOME

Leadership

In terms of the industrial average, the late bull market slowed to a walk by the late summer of 1955, with the remaining advance less than 7%. But for some 21 months thereafter, to the July, 1957, triple-top, there was rotating strength in a sufficient number of "fair-haired" stock groups to keep the market interesting to profit seekers. Of course, it is a quite different market now. Some of the stock groups in high favor as late as mid-1957 have since fallen sharply, notably oils, machinery and steels. With few exceptions, upside leadership so far in 1958 has been confined to relatively slow-moving income stocks. Defensive-stock groups which have made a good showing since the turn of the year include: Baking, cigarettes, corn refiners, dairy products, electric utilities, food brands, food stores, finance companies, natural gas distributors, soaps, soft drinks and shoes. Not classed as "defensive", but faring well, are department stores, drugs and a limited section of the building group: namely makers of gypsum and/or asphalt wallboard-roofing products used mainly in housing work.

Potentials

What's the outlook for the market? It depends on profit-dividend prospects of, and investment sentiment on, individual stocks. Too few of them have adequate present basis for significant advance, if any. Space here precludes detailed exploration along this line; but a quick look at the stock groups, in search of potential upside leadership, is sobering. Some of the favored groups cited above may advance further, within mostly moderate limits, but only four of them have any representation in the Dow industrial average. On the basis of poor or so-so earnings prospects at least for the medium term, if not also the full year in most cases, we question whether investors will be in any hurry to buy into the following groups: aircraft, aluminum, automobiles, auto parts, chemicals, coal, copper, electrical equipment, farm equipment, machinery, metal fabricating, oils, paper, movies, office equipments, radio-television, railroads, rail equipments, steels, textiles and tires. Together, they represent a big section of the market; and a number of them figure

INCREASES SHOWN IN RECENT EARNINGS REPORTS

		1957	1956
Standard Brands	Year Dec. 31	$ 4.01	$3.48
Tenn. Gas Transmission	Year Dec. 31	2.10	1.88
Jewell Tea Co.	Year Dec. 28	4.61	4.22
Lukens Steel	Year Dec. 28	10.60	7.87
Houston Lighting & Power	Year Dec. 31	2.75	2.54
American Encoustic Tiling	Quar. Dec. 31	.60	.34
Bristol-Meyers Co.	Quar. Dec. 31	.97	.82
Duquesne Light	Year Dec. 31	2.53	2.44
Louisville & Nashville R. R.	Year Dec. 31	6.85	6.39
Union Electric Co.	Year Dec. 31	1.94	1.70

importantly in the motivation of the industrial average via about two-thirds of the 30 prominent stocks included therein. Conclusion: the average has no basis for anything better than floundering around in the October-February trading range, which was less than 10% from low to rally high; and further downside tests have to be allowed for.

Strong

There are few changes in the list of individual stocks showing significant upward tendencies or holding near recent new 1957-1958 highs. A few examples are: American Chicle, American Snuff, Brooklyn Union Gas, Commercial Credit, Corn Products, Family Finance, Florida Power Corp., Florida Power & Light, General Foods, General Public Utilities, Gulf States Utilities, Household Finance, Kansas Power & Light, Kimberly-Clark, Lily-Tulip Cup, Middle South Utilities, National Biscuit, National Dairy Products, Ohio Edison, Procter & Gamble, Reynolds Tobacco, Southwestern Public Service, and Standard Brands.

Unpromising

More stocks than can be listed here look unpromising at present, both on the basis of technical action and indicated earnings prospects at least for some time to come. A partial cross-section list includes: Amerada Petroleum, American Viscose, Aluminum, Allied Chemical, Atlantic Refining, Anaconda Company, Borg-Warner, Cities Service, Chrysler, Crucible Steel, Ex-Cell-O, Foster Wheeler, Babcock & Wilcox, General Motors, Gulf Oil, Hudson Bay Mining, International Nickel, International Paper, National Steel, Pure Oil, Kaiser Aluminum, Shell Oil, Standard Oil of Indiana, Skelly Oil, Richfield Oil, Rayonier, Sunbeam Corp., Thompson Products, Union Carbide, U. S. Rubber, Warner Bros. Pictures and Wheeling Steel.

Snuff

Consumption of few, if any, products is more static than that of snuff. Around 38 million pounds a year, indicated volume is about what it was 20 years ago, which means that per-capita usage has declined more or less progressively. However, total output is largely stabilized and price rises—the latest 8% in May, 1957—have brought moderate increases in dollar sales. If you want long-term growth from an investment, this is not the place to look for it. But if you need high income return, there is something to be said for the snuff business. It is worth considering, for example, by elderly investors more concerned with stretching income for the rest of the way than with possible capital gains. The biggest company in the field, U. S. Tobacco, has for some time been diversified in cigarettes. The third largest, Helme, has recently gone into cookies and pretzels. American Snuff, third largest, has stuck to snuff and chewing tobaccos—without reason to regret it so far.

First Choice

For a high-yield investment in snuff, our choice would be American. Dividends have been continuous and liberal since 1903. Profits have been fairly well maintained over the years, except when they were penalized by the wartime excess profits tax; and they have now risen for six consecutive years from $2.73 a share in 1951 to $4.51 a share for 1957, thus finally surpassing ancient 1929 net of $4.25 a share, thanks to higher selling prices and continuing low unit labor and other costs. After being static for four years at $2.40, against an older peak of $3.50, dividends rose to $2.80 in 1956 and $2.90 in 1957. The regular rate was boosted from $2.40 to $2.80 early this year; and, in view of a likely moderate gain in profit this year, it seems probable that last April's extra of 50 cents will be repeated before the year end. If so, the "indicated" dividend basis is $3.30. That would closely approximate the average payout of the last five years; and would be well under the ratio of payments to earnings in most older years. Relatively low cash needs, except for carrying inventories, justify a liberal policy. The stock is now close to 48, a new high since it reached 50½ in 1946. It sold as high as 69 in 1939 on net of $3.03 a share and $3.25 in dividends. On $3.30 in dividends, the yield is over 6.8%.

Cigarettes

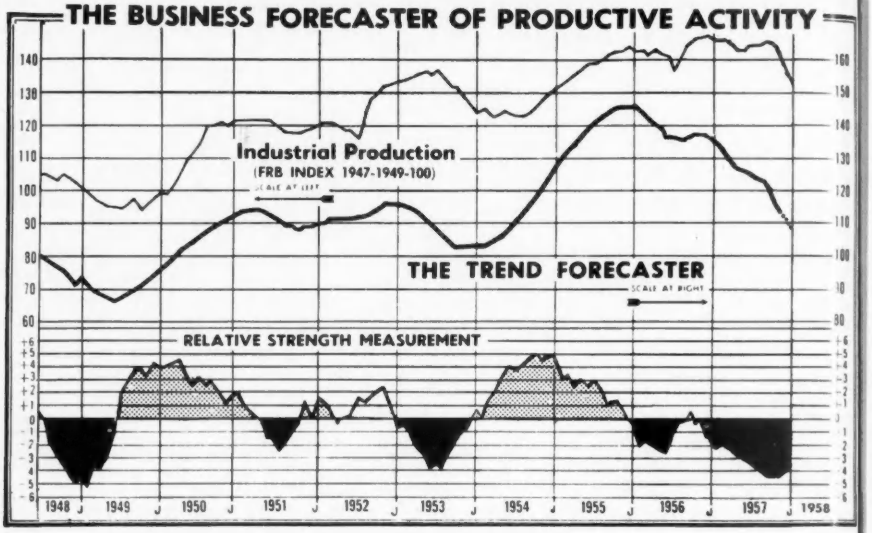
Speaking of tobacco, the cigarette companies are doing better than all right. Clients who bought Lorillard and Reynolds on our earlier recommendations have substantial to large profits. Lorillard recently reported record 1957 profit of $3.78 a share, against 1956's $1.34, with $1.93 for the final quarter, compared with 42 cents a year earlier. Assuming maintenance of the company's improved trade position, without further gain, 1958 net could be in the area of $6 to $7 a share. The latest quarterly dividend declared was 50 cents, against 30 cents previously, promising 1958 payments above 1957's $1.95 a share, which included 75 cents extra. The stock has had to contend with profit taking recently. At 42, we are inclined to string along with it for a while longer. Reynolds should earn around $6.50 to $7 a share this year on its new "Lifo" accounting basis, against 1957's $6.15; and raise the $3.60 dividend to at least $3.80, possibly $4. With the psychological investment effects of the health-scare controversy gradually wearing off, we see no reason why this high-grade stock should not get back to a level around 12 times earnings, in line with earlier standards of valuation. The indicated potential is a price of roughly 75-85, against about 67 now. Stay with holdings. We would not, however, add to cigarette-stock commitments now. These issues have no doubt had the greater part of any likely rise.

(*Please turn to page* 772)

DECREASES SHOWN IN RECENT EARNINGS REPORTS

		1957	1956
Rome Cable Corp.	Quar. Dec. 31	$ .40	$ .96
Hooker Electrochemical Co.	Year Nov. 30	1.34	1.75
American Viscose Corp.	Year Dec. 31	1.65	2.93
Container Corp. of Amer.	Year Dec. 31	1.36	1.71
Delta Air Lines	6 mos. Dec. 31	.26	.71
Mueller Brass Co.	Year Nov. 30	2.26	4.49
Acme Steel Co.	Year Dec. 31	2.40	3.34
Allegheny Ludlum Steel	Year Dec. 31	3.02	4.04
American Bakeries Co.	12 weeks Dec. 28	.93	1.13
Atlantic Refining	Year Dec. 31	3.82	5.11

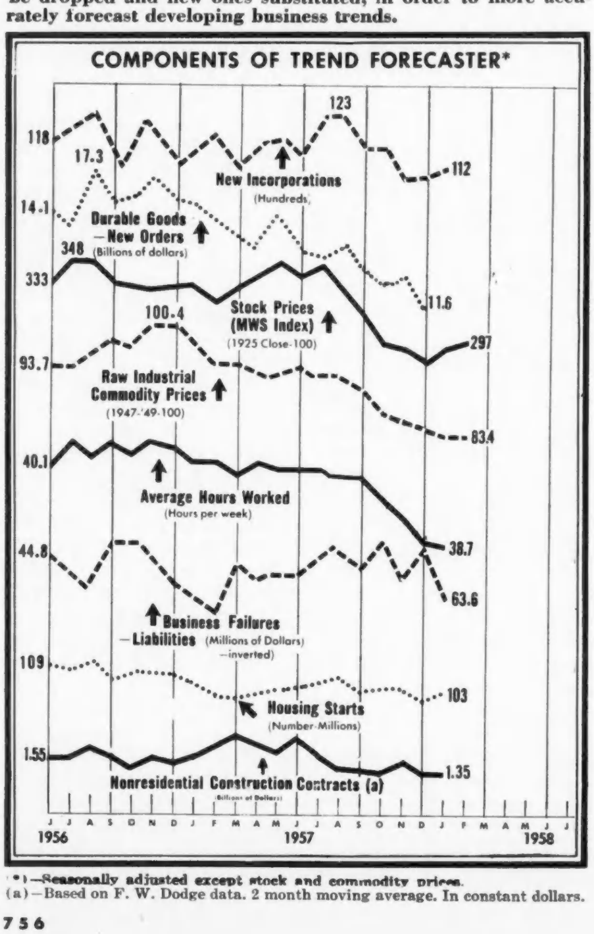
the Business



Business Trend Forecaster*

INTERESTING TO NOTE – The rise in industrial production line between 1956-57 was offset by economic decline in that period, accurately forecasting heavy inventory accumulations.

***With the many revolutionary changes in our economy, it was evident that various indicators previously used should be dropped and new ones substituted, in order to more accurately forecast developing business trends.**



(*)—Seasonally adjusted except stock and commodity prices.
(a)—Based on F. W. Dodge data. 2 month moving average. In constant dollars.

This we have done in our new *Trend Forecaster* (developed over a period of several years), which employs those indicators (see Components of Trend Forecaster) that we have found to most accurately project the business outlook.

As can be seen from the chart, industrial activity in itself is not a true gauge of the business outlook—the right answer can only be found when balanced against the state of our economy. The *Trend Forecaster* line does just that. When it changes direction up or down a corresponding change in our economy may be expected several months later.

The depth or height of the developing trend is clearly presented in our *Relative Strength Measurement* line, which reflects the rate of expansion or contraction in the making. When particularly favorable indications cause a rise that exceeds plus 3 for a period of time, a strong advance in general business is to be expected. On the other hand, penetration of minus 3 on the down side usually precedes an important contraction in our economy.

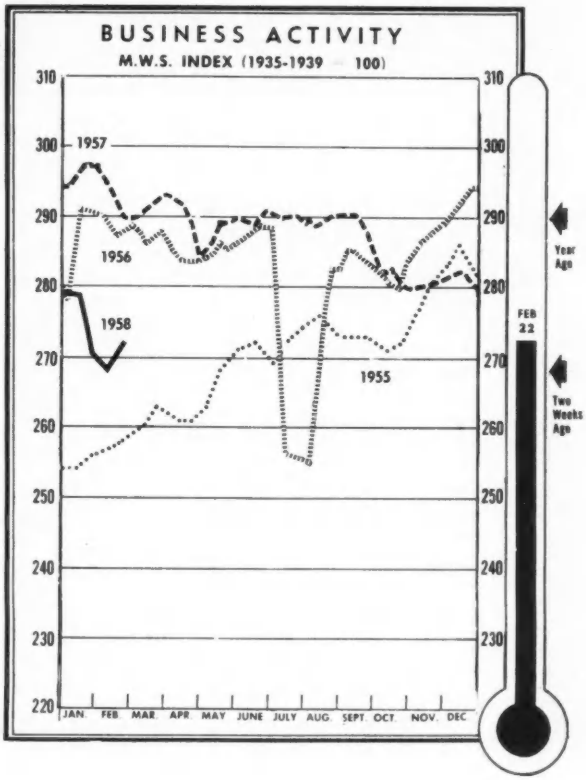
We believe that subscribers will find our Business Trend Forecaster of increasing usefulness both from the investment and business standpoints.

Business Trend Forecaster

In early 1958, declines have continued to dominate among the components of the **Trend Forecaster.** The major signs of strength have been limited to housing starts, which have been recovering slowly, and stock prices, which rose somewhat in January and a little further in February. Industrial commodity prices fell further in January, but levelled out in February.

The Federal Reserve Board has discontinued its index of nonresidential contract awards and we are replacing this component with a similar series based on FW Dodge data adjusted for price changes. A sharply lower trend for the new series has resulted in downward revision of the **Relative Strength Measurement,** which fell to minus 4.5 in November and December 1957. In early 1958, preliminary figures suggest a slight rise in the **Relative Strength Measurement** from the very depressed level of late 1957. However, even the preliminary figures make it clear that no significant advance in the measure has occurred as it has remained well below minus 3.0. Since the **Relative Strength Measurement** leads general business conditions by several months, a mid-year revival in industrial activity must now be labelled "possible, but no longer likely".

Analyst



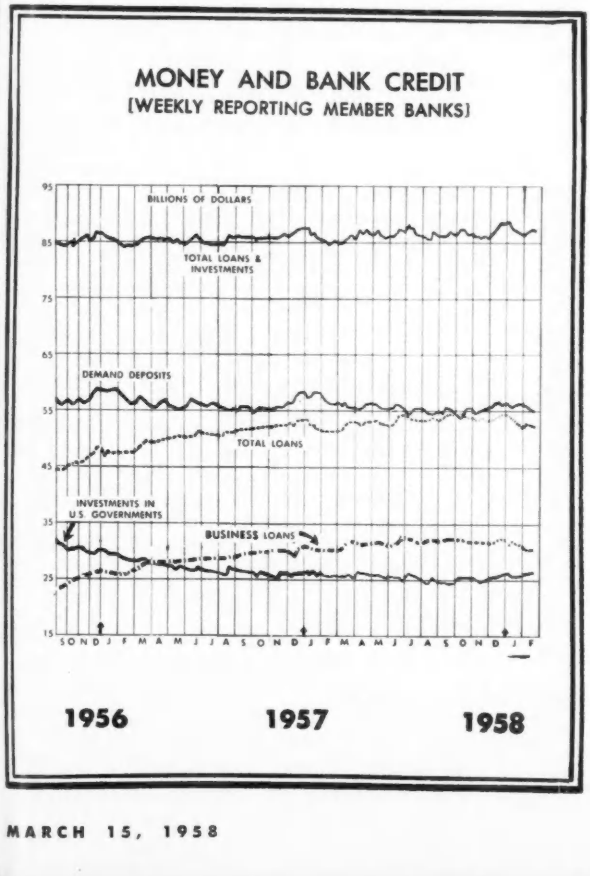
CONCLUSIONS IN BRIEF

PRODUCTION—Decline continues, although at a somewhat reduced rate. Slow but persistent decline in activity in both producer and consumer hard goods probable through midyear. Second-quarter production schedules, now being set, point downward.

TRADE—Except for some soft goods (notably food), retail volume is in a sluggish downtrend. Auto and appliance volume in February was unsatisfactory, department store sales the lowest in a year. Slight further decline, and price weakening, to occur in second quarter.

MONEY & CREDIT—Loan demand continues slack, as repayment of inventory borrowings offsets new borrowing to pay taxes. Interest rates have fallen sharply and another cut in the discount rate has just been made, in line with expectations. Also looked for: another reduction in reserve requirements.

COMMODITIES—Farm product prices continue to improve, partly for seasonal reasons, partly because of weather. Industrial commodities, already substantially deflated, still show signs of weakness. Outlook: mild downtrend in commodity averages into early summer.



IT is a common practice among business executives to review their annual forecasts and budgets in March of each year. This year, the Federal government is also reviewing its forecasts, for reasons that are altogether too obvious, and a spate of revised impressions about the current year is now about to hit the general press. It is, of course, the optimists on 1958 who are now most in need of a new appraisal, but even those who were entirely correct on the outlook in general may benefit from a broad review of what has happened in the past six months.

In the fall of 1957, general business was struck in rapid succession by a subsiding of orders for new capital equipment, by a sudden reversal of inventory policy, and by an abortive downward rescheduling of defense orders. **The result was what now appears to have been the sharpest break in the rate of industrial activity since the spring of 1937.** The break has been so sharp that it has induced an extremely rapid rise in unemployment, and precipitated widespread uncertainty throughout the consumer sector. And in typical business-cycle fashion, it has begun to feed on itself: the reduction in business spending for plant and equipment, which was one of the initiating factors in the break, is now steepening further as a result of the break.

Underlying the present decline is an extraordinarily wide gap between production rates and capacity in a broad range of industries. The Federal Reserve's carefully prepared measure of industrial materials capacity and output points to the lowest rate of capacity utilization since pre-world War II, and as of early March the gap was still growing.

(Please turn to following page)

Essential Statistics

THE MONTHLY TREND	Unit	Month	Latest Month	Previous Month	Year Ago
INDUSTRIAL PRODUCTION* (FRB)	1947-'9-100	Jan.	133	136	146
Durable Goods Mfr.	1947-'9-100	Jan.	143	147	164
Nondurable Goods Mfr.	1947-'9-100	Jan.	126	127	131
Mining	1947-'9-100	Jan.	122	122	131
RETAIL SALES*	$ Billions	Jan.	17.0	16.9	16.3
Durable Goods	$ Billions	Jan.	5.6	5.6	5.7
Nondurable Goods	$ Billions	Jan.	11.4	11.3	10.6
Dep't Store Sales	1947-'9-100	Jan.	132	138	133
MANUFACTURERS'					
New Orders—Total*	$ Billions	Dec.	25.2	26.1	29.0
Durable Goods	$ Billions	Dec.	11.6	12.4	14.5
Nondurable Goods	$ Billions	Dec.	13.6	13.7	14.5
Shipments*	$ Billions	Dec.	26.7	27.2	28.8
Durable Goods	$ Billions	Dec.	13.1	13.5	14.5
Nondurable Goods	$ Billions	Dec.	13.6	13.7	14.3
BUSINESS INVENTORIES, END MO.*	$ Billions	Dec.	90.8	91.0	89.1
Manufacturers'	$ Billions	Dec.	53.6	53.9	52.3
Wholesalers'	$ Billions	Dec.	12.7	12.8	13.0
Retailers'	$ Billions	Dec.	24.5	24.3	23.9
Dept. Store Stocks	1947-'9-100	Dec.	150	154	151
CONSTRUCTION TOTAL		Jan.	3.3	3.7	3.2
Private	$ Billions	Jan.	2.4	2.7	2.3
Residential	$ Billions	Jan.	1.1	1.3	1.1
All Other	$ Billions	Jan.	1.3	1.4	1.2
Housing Starts*—a	$ Billions	Jan.	1,030	970	1,020
Contract Awards, Residential—b	Thousands	Jan.	777	757	817
All Other—b	$ Millions	Jan.	1,289	1,224	1,483
EMPLOYMENT					
Total Civilian	Millions	Jan.	62.2	64.4	62.6
Non-Farm	Millions	Jan.	51.0	53.0	51.7
Government	Millions	Jan.	7.5	7.8	7.3
Trade	Millions	Jan.	11.5	12.4	11.3
Factory	Millions	Jan.	12.0	12.5	13.2
Hours Worked	Hours	Jan.	38.7	39.4	40.2
Hourly Earnings	Dollars	Jan.	2.10	2.10	2.05
Weekly Earnings	Dollars	Jan.	81.27	82.74	82.41
PERSONAL INCOME*	$ Billions	Jan.	344	344	336
Wages & Salaries	$ Billions	Jan.	237	239	235
Proprietors' Incomes	$ Billions	Jan.	51	51	51
Interest & Dividends	$ Billions	Jan.	32	30	31
Transfer Payments	$ Billions	Jan.	23	23	20
Farm Income	$ Billions	Jan.	16	16	16
CONSUMER PRICES	1947-'9-100	Jan.	122.3	121.6	118.2
Food	1947-'9-100	Jan.	118.2	116.1	112.8
Clothing	1947-'9-100	Jan.	106.9	107.6	106.4
Housing	1947-'9-100	Jan.	127.1	127.0	123.8
MONEY & CREDIT					
All Demand Deposits*	$ Billions	Dec.	104.9	105.9	106.7
Bank Debits*—g	$ Billions	Dec.	80.8	78.6	76.6
Business Loans Outstanding—c	$ Billions	Dec.	32.3	31.5	31.1
Instalment Credit Extended*	$ Billions	Dec.	3.6	3.6	3.5
Instalment Credit Repaid*	$ Billions	Dec.	3.5	3.4	3.2
FEDERAL GOVERNMENT					
Budget Receipts	$ Billions	Jan.	4.8	6.0	4.8
Budget Expenditures	$ Billions	Jan.	6.0	5.8	6.1
Defense Expenditures	$ Billions	Jan.	3.5	3.6	3.7
Surplus (Def) cum from 7/1	$ Billions	Jan.	(8.0)	(6.7)	(7.0)

PRESENT POSITION AND OUTLOOK

Against this obvious and major weakness in business conditions, analysts must weigh three principal strengths that are emerging. Residential housing is now in a modest uptrend, assisted by rapidly easing money and much more liberal terms on government-guaranteed mortgages; Federal spending for defense goods is now turning around, and will be rising moderately throughout 1958; and state and local government spending is likely to continue to rise slowly in 1958. By fall, these cross-trends will have met head on. A crucial struggle between recessionary and inflationary tendencies lies ahead, but until the battle is fully joined there is little hope for a general business recovery.

* * *

WHAT'S WRONG WITH PRICES—Amid all the highly publicized declines in business statistics, it is not particularly consoling to find that the cost of living is continuing vigorously upward and even the general wholesale price level remains virtually unaffected by recession.

Why have prices failed to behave more nearly in conformity with the general trend? In the first place, it's a little early to say that they are not conforming; surprisingly, the historical record shows that price trends tend to be sluggish after recession begins, but that the price level rarely breaks sharply, the way production levels break. More usually, they have stabilized for several months, then headed down broadly, but not swiftly. Secondly, it's worth noting that the recent strength in both wholesale and retail prices primarily reflects strength in farm prices. The strong performance of farm prices in turn reflects very bad weather in growing areas, plus the fact that subsidies and supports have taken out much of the downward elasticity in these prices.

The trend of farm prices accounts for a good part of the rise in the cost of living. Early this year, retail food prices were fully 5% above a year ago; most manufactured goods such as apparel and homefurnishings were selling at just about last year's prices. **And while food costs are still headed up, the trend has already turned down in both consumer and producer hard goods.**

* * *

AUTOMOBILES—the passenger car production rate stays in the news, and ominously. Production cutbacks continue, keyed by a steadily deteriorating rate of retail sales, and steadily accumulating

and Trends

QUARTERLY STATEMENT FOR THE NATIONAL ECONOMY

In Billions of Dollars—Seasonally Adjusted, at Annual Rates

SERIES	1957 IV Quarter	1957 III Quarter	1957 II Quarter	1956 IV Quarter
GROSS NATIONAL PRODUCT	433.0(e)	439.0	434.3	426.0
Personal Consumption	282.5(e)	283.6	278.9	272.3
Private Domestic Invest.	61.0(e)	65.5	65.0	68.5
Net Foreign Investment	2.5(e)	3.2	3.5	2.4
Government Purchases	87.0(e)	86.7	86.9	82.8
Federal	50.0(e)	50.6	51.1	49.0
State & Local	37.0(e)	36.1	35.8	33.9
PERSONAL INCOME	344.5(e)	346.5	342.4	334.5
Tax & Nontax Payments	43.5(e)	43.6	42.9	40.5
Disposable Income	301.0(e)	302.9	299.5	294.0
Consumption Expenditures	282.5(e)	283.6	278.9	272.3
Personal Saving—d	18.5(e)	19.3	26.6	21.7
CORPORATE PRE-TAX PROFITS*	40.3(e)	41.8	42.0	45.6
Corporate Taxes	20.5(e)	21.3	27.4	23.3
Corporate Net Profit	19.8(e)	20.5	20.5	22.3
Dividend Payments	11.7(e)	12.6	12.5	11.5
Retained Earnings	8.1(e)	7.9	8.0	10.8
PLANT & EQUIPMENT OUTLAYS	35.5(e)	37.8	37.0	36.5

THE WEEKLY TREND

	Unit	Week Ending	Latest Week	Previous Week	Year Ago
MWS Business Activity Index*	1935-'9-100	Feb. 22	272.3	269.9	290.0
MWS Index—per capita*	1935-'9-100	Feb. 22	204.7	202.9	222.4
Steel Production	% of Capacity	Mar. 2	54.6	50.9	96.0
Auto and Truck Production	Thousands	Mar. 1	119	115	173
Paperboard Production	Thousand Tons	Feb. 22	273	259	265
Paperboard New Orders	Thousand Tons	Feb. 22	230	239	248
Electric Power Output*	1947-'49-100	Feb. 22	234.8	234.9	226.4
Freight Carloadings	Thousand Cars	Feb. 22	492	533	627
Engineering Constr. Awards	$ Millions	Feb. 27	305	339	321
Department Store Sales	1947-'9-100	Feb. 22	82	96	100
Demand Deposits—c	$ Billions	Feb. 19	54.9	55.5	56.2
Business Failures	Number	Feb. 20	317	319	300

PRESENT POSITION AND OUTLOOK

inventories. Here's the way experts in the industry now size up 1958. Brace yourself for a shock.

The industry now does not expect to crack five million sales this year, even including a burgeoning volume of foreign car sales. **On the basis of January-February performance, expectations are for a selling rate of *domestic* cars in the neighborhood of 4.6-4.7 million.** Add another 200 thousand for export, and subtract 100 thousand for sales from inventory (net), and the annual production total comes to about 4.7-4.8 million or about 400 thousand a month average. Look for a sharp break in the output rate in the third quarter, owing to a strike, or prolonged shutdown for model changeover, or both. In the fourth quarter, output may rise again to a 450-475 thousand monthly rate. Not a banner year for Detroit, by any stretch of the imagination.

* * *

STEEL—this industry has been the focal point of recession thus far. Note two things about the trend here, for future reference. First: the production rate can hardly go any lower, even granting further easing in the rate of steel consumption by user-indu tries. Secondly, unless consumption drop; substantially, steel production must rise: inventory cannot continue to run off at present rates.

*—Seasonally adjusted. (a)—Private starts, at annual rates. (b)—F. W. Dodge unadjusted data. (c)—Weekly reporting member banks. (d) Excess of disposable income over personal consumption expenditures. (e)—Estimated. (f)—Estimated by Council of Economic Advisors. (g)—337 non-financial centers (na)—Not available. (r)—Revised. Other Sources: Federal Reserve Bd., Commerce Dept., Securities & Exch. Comm., Budget Bureau.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEXES

No. of Issues (1925 Cl.—100)	'57-'58 Range High	'57-'58 Range Low	1958 Feb. 21	1958 Feb. 28
300 Combined Average	346.6	270.4	295.1	294.4
4 Agricultural Implements	282.4	181.9	201.9	203.7
3 Air Cond. ('53 Cl.—100)	122.8	82.7	93.0	91.3
9 Aircraft ('27 Cl.—100)	1388.8	882.6	982.2	992.0
7 Airlines ('27 Cl.—100)	1022.5	581.5	727.5	727.5
4 Aluminum ('53 Cl.—100)	464.5	253.4	266.1	263.5
6 Amusements	172.6	119.0	138.0	134.5
8 Automobile Accessories	384.4	284.7	301.8	301.8
6 Automobiles	54.3	38.1	41.5	41.1
4 Baking ('26 Cl.—100)	31.2	26.3	30.7	31.2H
4 Business Machines	1285.3	863.7	941.4	942.2
6 Chemicals	652.3	496.7	519.7	514.6
5 Coal Mining	25.1	16.8	18.9	18.4
4 Communications	106.0	83.1	87.4	87.4
9 Construction	126.8	100.7	116.9	116.9
7 Containers	799.9	656.5	748.5	755.4
7 Copper Mining	307.6	179.7	199.3	191.9
2 Dairy Products	121.4	103.8	119.1	121.4
6 Department Stores	89.2	75.1	84.1	83.4
5 Drugs-Eth. ('53 Cl.—100)	259.2	175.2	242.9	245.3
6 Elec. Eqp. ('53 Cl.—100)	244.4	183.3	201.5	199.6
2 Finance Companies	635.7	525.0	613.4	635.7
6 Food Brands	280.2	239.8	273.0	275.6
3 Food Stores	200.4	153.8	200.4	198.6

(Nov. 14, 1936 Cl.—100)	'57-'58 Range High	'57-'58 Range Low	1958 Feb. 21	1958 Feb. 28
100 High Priced Stocks	236.9	185.8	195.1	195.2
100 Low Priced Stocks	415.9	311.7	352.0	351.6
5 Gold Mining	726.2	515.0	643.8	685.0
4 Investment Trusts	184.5	137.5	148.5	145.8
3 Liquor ('27 Cl.—100)	1094.5	855.7	949.2	949.2
8 Machinery	523.4	338.6	350.7	347.2
3 Mail Order	174.6	135.2	162.2	162.2
4 Meat Packing	142.6	103.5	128.1	130.3
5 Metal Fabr. ('53 Cl.—100)	198.3	131.6	153.0	148.9
9 Metals, Miscellaneous	420.9	263.1	289.4	284.1
4 Paper	1060.1	789.9	875.5	867.1
22 Petroleum	914.4	629.7	636.2	629.7L
21 Public Utilities	274.2	236.5	271.7	274.2H
7 Railroad Equipment	91.4	54.8	62.5	62.5
20 Railroads	72.7	41.7	45.0	44.2
3 Soft Drinks	509.8	432.7	502.4	506.8
12 Steel & Iron	393.0	235.8	261.3	266.1
4 Sugar	116.9	96.9	106.7	107.7
2 Sulphur	926.7	521.2	564.9	543.4
10 Television ('27 Cl.—100)	36.0	27.2	31.3	30.5
5 Textiles	149.9	96.7	112.8	113.8
3 Tires & Rubber	197.6	147.0	148.5	147.0L
5 Tobacco	122.6	87.0	118.3	120.5
2 Variety Stores	298.8	219.5	259.0	261.2
17 Unclassif'd ('49 Cl.—100)	168.9	137.2	153.7	153.7

H—New High for 1957-1958. L—New Low for 1957-1958

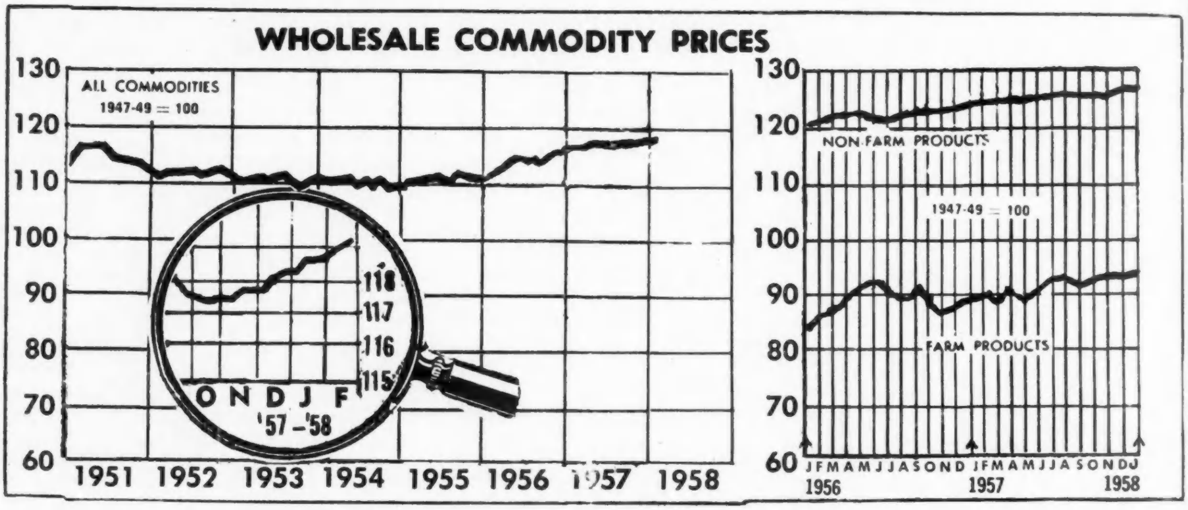
Trend of Commodities

SPOT MARKETS—Sensitive commodities followed divergent trends in the last half of February. Items affected by weather rose early in the period but then flattened out. Industrial raw materials were hesitant with a weak undertone in evidence, reflecting continued slow demand and further inventory liquidation.

Meanwhile, the main body of commodities remained firm according to the latest reading of the BLS wholesale price index. Farm products and foods were still rising while the index of all other commodities moved sidewise. With the weather due to recede into the background as a price factor, some easing of farm and food prices may develop. Slow business should also make for lower levels in some of the other components of the index.

FUTURES MARKETS—Futures markets were mixed in the two weeks ending February 28. Grains, lard, cotton, rubber and commodities affected by bad weather (onions, potatoes) all were higher during the period. Imports declined, led by coffee, while most metals also were lower.

May wheat advanced 5½ cents in the fortnight ending February 28 to close at 217¾. The Department of Agriculture has pointed out that "free" wheat supplies will be skimpy this season, making for higher prices. It is estimated that only 415 million bushels are outside the government support while domestic consumption will require some 465 million bushels of wheat. This leaves a 50 million bushel deficit to be secured by government sales and farmer redemptions from the loan. The latter would be spurred only by higher prices.



BLS PRICE INDEXES 1947-49—100	Date	Latest Date	2 Wks. Ago	1 Yr. Ago	Dec. 6 1941
All Commodities	Feb. 25	119.2	118.8	117.0	60.2
Farm Products	Feb. 25	97.3	95.5	88.8	51.0
Non-Farm Products	Feb. 25	125.8	125.8	125.5	67.0
22 Basic Commodities	Feb. 28	85.6	85.7	88.1	53.0
9 Foods	Feb. 28	88.9	88.4	79.8	46.5
13 Raw Ind'l. Materials	Feb. 28	83.3	83.7	94.2	58.3
5 Metals	Feb. 28	86.0	87.5	110.6	54.6
4 Textiles	Feb. 28	77.1	78.0	83.6	56.3

MWS SPOT PRICE INDEX

14 RAW MATERIALS
1923-1925 AVERAGE—100

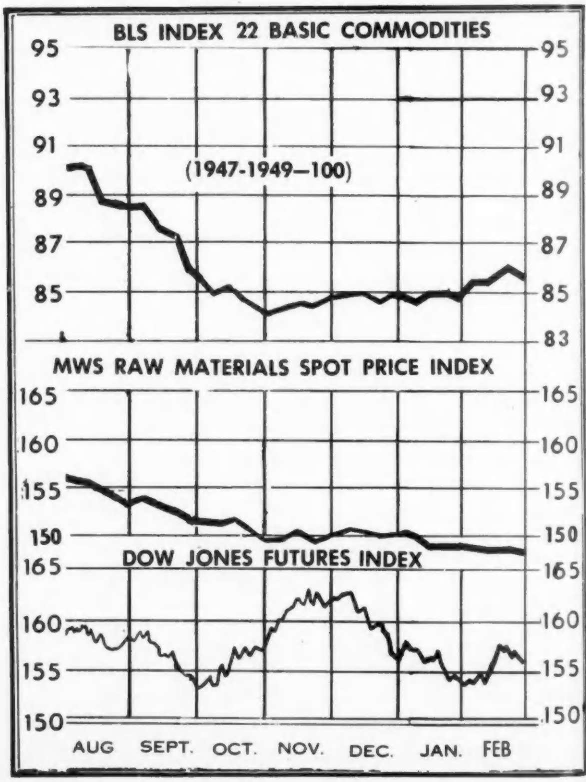
AUG. 26, 1939—63.0 Dec. 6, 1941—85.0

	1957-8	1956	1953	1951	1945	1941
High of Year	166.3	169.8	162 2	215.4	98.9	85.7
Low of Year	148.4	163.1	147.9	176.4	96.7	74.3
Close of Year		165.5	152.1	180 8	98.5	83.5

DOW-JONES FUTURES INDEX

12 COMMODITIES
AVERAGE 1924-1926—100

	1957-8	1956	1953	1951	1945	1941
High of Year	163.4	166.7	166.5	214.5	106.4	84.6
Low of Year	153.8	162.7	166.8	189.4	105.9	84.1
Close of Year		163.1	147.9	176.4	96.7	74.3



Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET *will* answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. The service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject to the following conditions:

1. Give all necessary facts, but be brief.
2. Confine your requests to *three listed securities at* reasonable intervals.
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope.*
4. No inquiry will be answered which is mailed in our postpaid reply envelope.
5. Special rates upon request for those requiring additional service.

Hooker Electrochemical Co.

"You have mentioned in the past that Hooker Electrochemical Co. has growth potentials. I am a young executive and would appreciate receiving some data on the company."

H.M., Stockton, California

Hooker Electrochemical Co. produces chlorine, caustic soda and related chemical products. In 1955, Durez Plastics & Chemicals Inc. was acquired, makers of phenolic resins and plastic molding compounds. Other acquisitions have expanded the line of basic and intermediate chemicals.

The year 1957 was a year of readjustment and consolidation for Hooker, following the acquisition of three major companies during 1955 and 1956. Integration into Hooker of the activities of each of these companies has presented many problems which have, according to the company, been successfully resolved, as well as many opportunities for sales expansion and diversification which are being exploited to advantage. The completion of a new plant of the subsidiary, Hooker Chemicals Ltd., at North Vancouver, B.C., brings to a total of 8 the number of locations where the company conducts manufacturing operations in the U.S. and Canada.

Sales and earnings for 1957 declined from the previous year's level for the first time since 1952. This result, particularly with respect to lower earnings, was not unique. Industry in general and the segment of the chemical industry in which Hooker operates, experienced the same general pattern of results.

Consolidated net sales for the year ended November 30, 1957 totalled $107,868,000. This was a reduction of $2,112,000 or 1.9% from sales of $109,980,000 for the fiscal year 1956.

After provision for Federal income taxes of $9,432,000, net income was $8,848,000 as compared with $11,497,000 in 1956 and after deducting preferred dividends this was equal to $1.34 per share on the 6,460,486 common shares outstanding at November 30, 1957. In the preceding year, earnings of $1.75 per share (including non-recurring income of 13 cents per share) after preferred dividends were reported on the 6,458,975 common shares then outstanding. Excluding the non-recurring income in 1956 earnings per share in 1957 were 16.7% lower than in 1956.

While sales were declining slightly and prices were under pressure, increased costs of production were substantial in each category. Wage rates, pension and other employee benefits were higher; raw materials and supplies cost more than in prior years; freight rates were increased; and power, particularly at Niagara Falls, was more expensive. Added to these increases were normal start-up costs at Vancouver and unexpected expenses at Montague plant. All of these factors contributed to lowering the income during the past year.

The company has instituted changes which are retarding increases in costs in many departments and actually reducing costs in others.

Quarterly dividends of 25 cents per share were paid on the common stock during 1957.

Current assets at November 30, 1957 amounted to $46,855,000 and current liabilities were $15,248,000, providing net working capital of $31,607,000. The ratio of current assets to current liabilities was 3.1 to 1 compared with a ratio of 3.9 to 1 at the beginning of 1957.

There are many cross currents in the general economic picture as evidenced by the general statistical data but the strongest evidence suggests a continuation of the diminished demand for chemical products, at least during the first half of the year. However, the company is optimistic on longer term prospects.

Gillette Company

"I have been a subscriber to your magazine for several years and would be interested in receiving late information in regard to Gillette Co."

H. C., Ft. Wayne, Indiana

Gillette Co's net sales for 1957 amounted to $194,929,175, compared with $200,714,707 in 1956. These sales were the second highest in the history of the company, surpassed only in the record year of 1956. Net earnings after taxes were $25,940,570 or $2.80 per share of common stock, compared with 1956 earnings of $31,544,304 or $3.40 per share.

Gillette continued for the 52nd year its uninterrupted payment of dividends on its common stock.

(*Please turn to page* 773)

How Glass and Metal Container Companies Will Fare This Year

(*Continued from page* 749)

and composite containers account for about 68% of Canco's sales, with fiber containers equalling 10%, carton blanks and wrappers 9%, paper cups and containers 5%, household tissues 5%, and 3% in the miscellaneous group.

For several years now, Canco has also been aware of the growing opportunities for expansion of its business operations in many nations throughout the world. Exhaustive studies have led to the undertaking of a broad foreign program which comprises technical assistance agreements in nine countries, and further widens sales of the containers manfactured domestically. These agreements generally provide for training technical employees in overseas plants as well as in Canco's locations in the United States.

Position of Glass Containers

The glass makers, too, have been hitting the diversification trail. **Owens-Illinois**, the largest domestic manufacturer of bottles and other types of glass containers (60% of sales), has its plants busily turning out metal and plastic closures, Libbey glass tableware, Kaylo insulation materials and T.V. tubes, among other products. The company also owned, at last count, 270,000 shares of Container Corporation common stock, 37,214 of Pennsylvania Glass Sand common, 417,886 shares of Continental Can received in exchange for its holdings in Robert Gair, and 325,000 shares of Monsanto Chemical common received in exchange for its 50% interest in the Plax Corporation. Owens-Illinois Glass also controls the Owens Illinois Plywood company. A shrewd investment, indeed, was made by Owens-Illinois Glass in Owens-Corning Fiberglass Company, the dominant company in its field, in which Owens-Illinois Glass now owns a 33.5% interest. More recent proof of this glass maker's diversification interest was its 1956 merger with National Container, a leading producer of paperboard and corrugated ship-

(*Please turn to page* 765)

Keeping Abreast of Corporate Developments

Goodyear Tire & Rubber Co. plans to build a $9 million plant at Apple Grove, West Virginia, which will produce the company's new plastic, Videne.

This is a polyester laminating film that the company claims can be adhered under heat and pressure to a variety of end products. Videne is now being produced at a Goodyear pilot plant, and full production at the new plant, 32 miles from Charleston, West Virginia will begin by early spring of 1959. The installation will be located on a 324-acre tract and housed in a 5 story building occupying 100,000 sq. ft. of floor space.

According to the president of Goodyear, applications of the new material, which can be used for direct or stretch-laminating applications in the textile, metal, wood, paper, plastic, automotive and packaging fields, are "unlimited." The chief executive said that 40% of Goodyear's total business today is in the non-tire field and with Videne and some other moves we will make, this percentage is going still higher even though the tire market is constantly growing."

According to a company official, the laminating film's outstanding characteristics are abrasion resistance, outdoor aging properties, forming capabilities and adhesive qualities which allow it to be applied to most materials without the use of an adhesive.

American Home Products Corp. through its Whitehall Laboratories Division, plans to build a 1 story manufacturing plant on a 100-acre site it is purchasing at Hammonton, N. J. about midway between Philadelphia and Atlantic City.

The plant will contain over 100,000 sq. ft. of space and will employ more than 100 people, according to Whitehall. It will turn out the entire line of Whitehall products, including Anacin, Freezone, Heet Liniment, Kolynos toothpaste and others. Whitehall's main plant is at Elkhart, Indiana.

Cincinnati Milling Machine Co. is forming a division to produce a new fibreglass re-enforced plastic material, called Cimastra, for use in structural shapes.

The company has been producing covers and guards for some of its machine tools made of this plastic for several years and has been molding chair seats of this material for a furniture manufacturer for a year or more.

The new division is expected to be in full production by the second quarter of this year. Cincinnati, a chief producer of machine tools, stated the division's 1958 dollar volume however will be insignificant.

The backlog of unfilled orders of Cincinnati Milling stood at $62 million at the beginning of 1958, compared with $102 million a year earlier. The company is seeking to increase new business from new industrial products, new machine tool developments, etc.

Sperry Rand Corp. through its Sperry Gyroscope Co. of Great Neck, N. Y. has developed a new three-dimensional "space speedometer" comparable in scientific value to the super-accurate modern gyroscopes for future U. S. aircraft, winged missiles and atomic submarines. The new device is a 1½ pound, ultra-sensitive "accelerometer"—the companion instrument with gyroscopes to feed signals to a miniature computer for jam-proof Inertial Guidance systems, where immunity to enemy detection or interference is desired.

Radio Corp. of America has announced a new electronic "circuit sentry" designed to minimize damage to power-system equipment and to improve service to customers by reducing disruption of current supply. The "circuit sentry," first of its kind, is a fast-acting transistorized device utilizing the transmission of a tone signal to set in motion a series of relays which, in twelve thousands of a second, actuate circuit breakers and isolate the faulty high-voltage lines, the company stated.

Schenley Industries Inc. has entered the nuclear field by purchase of a substantial stock interest (reported to be 25%) in Radiation Applications, Inc.

According to Lewis S. Rosenstiel, Schenley chairman and president, the acquisition of an interest in the independently owned company specializing in nuclear and chemical research, development and processing is part of Schenley's long range diversification program. Schenley, a principal producer and distributor of alcoholic beverages, also manufactures ethical and proprietary pharmaceuticals, toiletries, dyes, cooperage and (*Please turn to page* 773)

ping cartons. Other companies in the container industry, on the other hand, have not yet caught the acquisition fever. Container Corporation, the largest maker of paperboard products, is blessed with "built-in" diversification as most of its output goes to the food industry in a wide variety of shapes and forms.

Research Pays Off

The packaging group is an outstanding example of an American industry which has made research pay off in spades. The variety of products used by container makers is continuously growing and the manufacturers are constantly using new materials and expanding into new fields. To develop and manufacture the best possible packaging for the many hundreds of different products, the manufacturers must necessarily be familiar with each constituent item. The characteristics of the containers are dictated by the chemical and physical properties of their contents as well as by the characteristics of the raw materials from which the containers themselves are made. Industry leaders such as Continental Can and Canco employ large numbers of scientists and engineers who are busily engaged in keeping the respective manufacturers in a keen competitive position.

Chicago, for example, is the site of Continental Can's huge integrated research and development center for metal cans. Nearby is located a second research and engineering center devoted to basic study of the entire packaging field. These two centers employ 700 scientists and technicians, one facility being devoted entirely to the metal field, the other looking mainly to the future for new processes and developments.

Canco's research and technical department, with its large technical staff, has chalked up many firsts in this end of the container business. Work of the Research Division is primarily keyed to the development of new containers, raw materials and manufacturing processes. Agricultural research as a service to customer canners is under the wing of the Agronomy Division. Then, too, the Development and the Technical Service Divisions perform important functions which have done much to maintain Canco's com-

petitive position in the industry. The industry's huge capital expenditure outlays during the past ten years, a good example of which is Canco's program for processing tin plate and steel plate from huge coils, has been in large part due to the successful efforts of the scientific staffs.

The road ahead seems reasonably bright for the packaging industry. Its top-notch research staffs have been successful in developing new products and new techniques, and have not been afraid to expand and venture into new fields. The development of new food and industrial products will require continued scientific initiative. In the final analysis, therefore, the rising population of our nation and the high living standards should contribute to a rise in sales volume for this industry over the long term—although this trend may taper off temporarily during periods of increased unemployment and lower national income. —END

Communications Industry Plans Continued Expansion

(*Continued from page* 751)

hopes to double their capacity. The voice channels will be automatically assigned to other talkers; and when a listener starts to talk, he will instantly have the use of a channel which another person has left idle.

Rapid progress is also being made with the use of "microwave radio," initiated about a dozen years ago. Today nearly one-quarter of all the long-distance lines are served by radio relay routes. These also furnish four-fifths of the television network channels reaching 513 TV stations in 348 cities. If the FCC will cooperate by providing necessary frequencies, Bell is also hopeful of providing additional thousands of channels for heavily used long distance lines, as well as to serve very short distances.

Bell is also busy on a host of improvements in telephone service, some of which are the following: (1) A "message waiting" light for use in hotel rooms, etc. (2) Transistorized facilities for increasing the capacity of rural lines. (3) Giving each pair of wires a separate color for easier identification, with a new plastic insulation to afford better protection against moisture. (4) A new electronic call switching system, with transistors playing a vital role. (5) The telephone can now be used (by paying a special fee) to send statistical data relating to sales, inventory, payrolls, orders, etc. over the phone to other offices or headquarters—tied in with magnetic tape to be used in IBM computers. It is said that the entire inventory position of a supermarket can be transmitted in fifteen minutes.

Bell is also working on many defense projects including guided missiles, which cannot be described in this article. It is prepared to work in outer space, having developed a new microwave amplifier which can detect reflections from small objects in the heavens. The nation's airlines will soon be coming into the jet plane age when some 72 million passengers may travel by air each year; this will require special telephone service.

Financing The System

Bell's financial operations are of a scope almost comparable with the Federal Government's. For example it now has a pension fund approximately $2.6 billion for its 793,000 employees (which is operated by Bankers Trust Company). The money is invested mainly in bonds, debentures and notes of the types which life insurance companies are permitted to buy under New York State laws, with telephone obligations representing only about one-fifth of the total.

The Bell System earned only 6.7% on its capital last year compared with 6.8% in the previous year. In order to maintain its high equity ratio and improve the safety of the $9 dividend the company feels that it should earn a higher percentage return. It has been asking for rate increases and has been moderately successful in convincing most commissions (with the exception of those in certain southern states) of its needs. In 1957 rate increases amounting to $104 million per annum were obtained, representing a gain of about 1.7% over 1956 revenues. Applications totalling about $125 million are now pending in other states and further applications will be made. These increases appear modest in relation to the inflationary increases in cost of material and wages.

How much "fat" does A.T.&T. have to carry it through any real depression, if we should have one? At the end of 1957 retained earnings approximated only $24 on a consolidated basis, and $19 on a parent company basis. These figures differ from book value in that they do not include the premium on common stock, i.e., the amount received in excess of par value in the sale of the stock.

One difficulty is that American Tel. & Tel.'s method of financing is somewhat on the expensive side, although it has doubtless helped to make the stock very popular with investors – it is now owned by 1,605,000 holders compared with about 700,000 in 1946. It is estimated that the rights

offered by A.T.&T. to subscribe to its convertible debentures and common stock in the postwar period would have been worth (if all sold in the market) over $2 a share per annum on the average. Thus the combined income would average $11 a share or a yield of about 6.4% at the recent price of 173 (the yield based on the $9 dividend alone would be 5.2%). While the rights would probably be discontinued during a prolonged depression similar to that of the 1930s, nevertheless, they help to explain the "mass popularity" of the stock.

Other Communication Companies

General Telephone, the second largest holding system, is now consolidating its position after the important Gary and Peninsular mergers, and acquisition of smaller independent companies. Revenues and sales have now reached the half billion level, about 42% of which reflects manufacturing and sales activities, largely unregulated. The System expects to install 225,000 new phones this year, or slightly more than in 1957, and it is increasing its construction budget to $205 million. Further mergers or acquisitions may be at a slower pace hereafter.

Western Union has a virtual monopoly of cable business in the U. S. However, it competes with the Bell System in teletype and other special services. In the postwar period the company has been mechanizing and diversifying its services, and the private wire and facsimile services are gaining in importance. Facsimile services include Desk-Fax, Intra-Fax and Ticketfax. Extensive microwave networks have been built (somewhat similar to the Bell System) conecting New York, Philadelphia and Pittsburgh and (when completed) Cincinnati and Chicago.

The company's business is definitely cyclical—it was in the red in 1932, 1938, 1946 and 1948-9. In later years earnings have varied from 26¢ a share in 1952 to $2.91 in the following year. Earnings in 1957 are reported at $2.03 a share, excluding 30¢ non-recurring credits (principally for reduction of income taxes in previous years). This compares with $2.28 in the previous year or $2.21 after excluding the special tax adjustments. The stock has been selling recently about 17, and based on the dividend rate of $1.20 yields 7% and sells at about 8.3 times earnings.

Every two years Western Union faces renegotiations of wage contracts, and 1958 is one of these years. The company has usually obtained rate increases to offset the higher wage burden but there has sometimes been a "regulatory lag."

In foreign communications, American Cable & Radio, RCA Communications (a sub-division of Radio Corp.), and Western Union share the field; Western Union has been under orders from Washington to dispose of its cables. ***American Cable*** (controlled by International Tel. & Tel.) in 1956 earned 41¢ and pays 30¢. Nine months earnings in 1957 were 26¢ vs. 21¢ in the same period of 1956. The company's earnings have been somewhat irregular due in part to cable breakdowns, but its 100% common stock capital set-up tends to stabilize share earnings. It has been selling recently around 4⅛ on the Big Board to yield 7.3%.

International Tel. & Tel., with annual sales and revenues approaching $600 million, has enjoyed tremendous growth in the postwar period. Earlier the company had disposed of substantial telephone interests in Europe, and as a result of wartime difficulties, sales of telephone equipment in 1946 approximated only $27 million and telephone revenues $20 million. By 1956 sales and revenues had increased to $560 million and this year substantial further gains are indicated by interim reports (in the first half gross showed a gain of 31% over last year). The company is now mainly a manufacturing enterprise in telephone equipment and electronics with factories, offices and laboratories in 28 countries; less than 10% of gross is from the telephone and radio telephone systems in Latin America. Total receipts are about three-quarters foreign and one quarter domestic.

The company was in the red in 1946 (on a consolidated earnings basis) and earned only 3¢ a share in the following year. However, sharp improvement followed, system earnings reaching $3.92 in 1956 ($2.53 on a parent company basis). In 1957 interim earnings have been down moderately, and about $3.30 is esti-

mated for the calendar year. Dividend payments, which were resumed in 1951 after a lapse of many years, now amount to $1.80 affording a yield of about 6%.

In the ***Bell System,*** leading subsidiaries in which the public owns some stock are Pacific Tel. & Tel., Mountain States Tel. & Tel., New England Tel. & Tel., and Bell Tel. of Canada. ***Pacific Tel.*** with revenues of $852 million serves large areas in California, Washington, Oregon, Nevada and Idaho. About one-third of the company's phones are in the Los Angeles area and nearly one-third in San Francisco. The stock has paid $7 for some years affording a somewhat better yield than that of American Tel. & Tel. Earnings have averaged close to $8 in recent years and are estimated at that figure for 1957. The company has pending in California an application for higher rates.

New England Tel. & Tel. has annual revenues of well over $300 million. While the area is not considered a "growth section" gross has increased 150% since 1946. Share earnings, which dropped to $4.26 in 1947, have increased substantially in later years and are estimated for calendar 1957 at a little over $8. While this would not afford any margin over the dividend, the company recently obtained an increase in rates of $11,873,000, equivalent to about $1.55 a share.

Bell Tel. of Canada provides service to Ontario and Quebec, with gross of about $300 million a year. Earnings have been stable around $2.15-$2.40 in recent years. The stock seems interesting only for yield since it sells quite high in relation to earnings.

Among the larger independents which have not been absorbed into the General Telephone System is ***Rochester Telephone.*** There have been occasional rumors that General might be interested in acquiring the company but these were not confirmed. Share earnings have been somewhat irregular since 1950; for the 12 months ended September 30, 1957, $1.34 was reported on an increased number of shares compared with $1.64 in the previous period. The stock pays $1 to yield a little over 5%. END

Varying Earnings Outlook for 5 Natural Gas Distributors

(*Continued from page* 753)

$1.51 earned in 1956 (adjusted for the acquired properties) by a wide margin and contribute toward earnings for 1958 in excess of $3.00. An increase in the current $2.00 seems a reasonable expectation.

Laclede Gas Company earned $1.31 for 1957 when temperatures in the service area were slightly above normal. Based on similar weather and anticipated new space heating connections earnings for 1958 would be abut $1.40-$1.45. Actual results, however, are likely to be in excess of $1.50 unless the latter months of the year should be extremely warm. Recognizing the basic growth rather than the temporary earnings increase, management recently raised the dividend to 90¢, representing about a 63% pay-out of estimated normal earning power.

Construction of an underground storage field several years ago has materially changed the character of Laclede's operation and augmented its longer term growth prospects. Use of the field permitted the addition of 24,000 heating customers in 1957 bringing the total number to 170,000 and saturation in the service area to 49%. Over the next two years 35,000 residential customers who have applied for heating service are expected to be connected to the company's lines. It is anticipated that applications for heating service will continue at a high level for several years at least, in view of the cost differential between gas and other fuels. Assuming management's longer term growth estimates are realized, additional supplies will have to be acquired over the subsequent years. At present Mississippi River Fuel, the company's sole supplier, is constructing facilities to increase deliveries by a modest amount.

Utility regulation in Missouri appears reasonable and the company earns a satisfactory rate of return. Currently no rate adjustments seem likely. The company's supplier has not changed its rates in recent years and has not indicated any intention of doing so in the foreseeable future. As Laclede has agreed to the current rates paid to the pipeline, the Memphis decision does not apply.

Several years ago leading officials and businessmen in St. Louis joined forces to plan for redevelopment of the area which had been declining in relative importance. First fruits of this program may be seen in the $50 million assembly plant being constructed by Chrysler Corporation just outside the city. Because of its central location and proximity to water transportation the outlook for other projects near St. Louis seems attractive. Successes of the Development Board will certainly create a greater market for Laclede.

Pacific Lighting Corporation subsidiaries serve most of the lower half of California. Contrary to the eastern two-thirds of the country, the west coast has experienced one of the warmest heating seasons in years. Reflecting these conditions the Pacific Lighting System reported $2.42 of earnings for 1957 (despite rate increases granted during the year) compared with $2.84 for 1956. This year the rate adjustments, aggregating revenues of about $25 million annually, would add almost $2 to share earnings based on normal weather and currently outstanding stock. Unless much colder weather prevails in the latter half of the year earnings improvement will be well below earlier expectations of $3.50 per share with some allowance for additional equity financing.

The effects of the weather unfortunately have temporarily minimized the benefits of two constructive rate orders by the California Utilities Commission. The two major distributing subsidiaries, Southern Counties Gas Co. and Southern California Gas Co., were granted 6½% and 6¾% respectively on investment after provision for attrition. In each case over 90% of the amount requested was authorized and the orders constitute a base for future earnings growth.

While heating saturation in the service area is practically 100%, new construction continues to require expansion of the Pacific Lighting System. Over the coming three years the company is seeking to increase its supply of out-of-state gas almost 240 million cubic feet to one billion cubic feet on a peak day. At present about 70% of requirements is purchased

from El Paso Natural Gas and the remainder from California producers. El Paso is also expected to furnish the new gas, with a portion of the deliveries being made from Canada through Pacific Northwest Pipeline (a subsidiary of El Paso). Some doubt has been cast on this latter plan, at least with regard to timing, by the appointment of a Royal Commission to study all aspects of exports of gas from Canada. Recently, however, Pacific Lighting announced it may have an alternate source of supply in a proposed new pipeline to be built from the "Four Corners" area to the California market. (No definite application for construction of this line has as yet been made.) Rates paid to El Paso Natural Gas by the Pacific Lighting subsidiaries could be affected by the Memphis decision. As the problem here is one of need for additional quantity rather than price it appears logical to assume a settlement will be accomplished if necessary.

Current prospects for lower earnings than had been anticipated from the rate increases and questions about future gas supply may cause this issue to lag behind the market. There may also be a delay in the proposed equity financing. However, on balance, the Pacific Lighting System offers an interesting combination of growth and promise of increased earning power when viewed over the longer span—rather than the recession influenced intermediate term.

Washington Gas Light encountered additional operating costs in 1957 along with adverse weather conditions. A change in the rate form of its major supplier and a sizeable wage increase accounted for $2.6 million of a $3.3 million rise in expenses while revenues advanced only $2.5 million. As a result 1957 earnings declined to $2.77 from $3.04 for the prior year.

In December 1957 the company applied to the regulatory commissions of the District of Columbia, Virginia and Maryland for rate increases totalling $4.3 million. If granted in full, earnings would increase about $2 million or $1.45 per share. Hearings on these applications have been held before two commissions and are scheduled before the third, but no decisions are likely before the end of the current heating season. The current $2.00 annual dividend appears safe and a favorable rate order could provide a basis for a modest increase next year.

Washington Gas Light may not fare as well as other companies on the east coast during the first quarter of 1958 because of its inadequate rates and the necessity of peak shaving to meet the extreme cold weather in the latter part of February. To some extent the company obtains storage gas from its supplier but the quantity is not adequate to meet the peak demand.

Recognizing the need for additional storage areas the company has been testing an underground field in Maryland. Only preliminary experiments have been completed but geological reports have been encouraging. At present about 80% of the acreage overlying the field has been acquired. At the earliest, assuming the field is successful, withdrawals should begin in the 1959 heating season and will be increased slowly over the three to five years following. Use of this facility will be extremely valuable to the company as there is little industry in the service area to purchase gas during off-peak periods.

Assuming a substantial amount of rate relief is granted and that the storage field can be developed on schedule, Washington Gas Light appears to have an earnings potential of about $4.00 by 1960. Interim period earnings cannot be estimated because of the uncertainty of the timing of the rate decisions. —END

The Subsidy Gravy-Train Menace

(*Continued from page* 737)

funds gathered from *all* of the taxpayers for the benefit of a specific minority or class. Irrigation projects, primarily of benefit to the agriculture of their respectively limited areas, presumably pay their way and are self-amortizing from water sales. It may be true that the Treasury eventually gets back—over a period of 30 to 50 years—original construction costs. The taxpayers who ponied up the money in the first place get back nary a nickel!

In the Pacific Northwest, the Federal government in a single generation has spent approximately $1.5 billion on hydroelectric developments, all of which are presumably self-liquidating from power sales. Overlooked is the fact that power rates are not based on the true costs of the developments, but on figures considerably below basic costs. The gimmick is non-reimbursable costs. By simplification, a hydroelectric development costing $200 million may have as much as $50 million of its cost written off to nebulous non-reimbursable "benefits," such as flood control, fish and wild-life, and recreation. In setting power rates assumed to assure Federal reimbursement, $150 million is the rate-making base rather than the overall cost of $200 million. Thus a limited area gets low-cost electric power at the cost of every segment of the taxpaying population. The Treasury may be reimbursed, true, but in sum and substance, a Federal power project is a grant-in-aid to a relatively small segment of the overall populace.

Our largest single grant-in-aid program is highway construction. By reason of gasoline and other automotive excises it is a program that pays its own way. In fact, it overpays. Federal tax collections from automobile, truck and bus users runs about 3.5 times as much as Uncle Sam turns back to the States for Highway aid. The excess goes into Treasury's general fund to be spent for any purpose the Congress may appropriate. Thus we find one class of taxpayers shelling out for the benefit of every class. Indirectly, they finance grants-in-aid entirely foreign to the generally believed intent of Federal automotive excise levies, namely highway construction.

Welfare State

The further one researches the subject of Federal grants-in-aid, the more he becomes involved in a bewildering maze which eventually—if persisted in—could bring the complete "welfare state" with all authority centered in Washington. States and municipalities will become little more than names on a map for the guidance of the Post Office Department. The situation is serious. Have we gone so far down the road of State Socialism that reversal or retreat is impossible?

That Federal aid has become a dangerous narcotic, something more habit-forming than a mere fiscal tranquilizer, has been sharply pointed up in two instances of

the past few months. The Administration last year proposed a cut in funds to aid cities in their slum clearance projects. The slash met with immediate opposition from Mayors across the land, even though acceptance of such assistance meant surrender of some local autonomy in such local problems as architecture, type of construction, etc.

In the second instance it was proposed that Uncle Sam forego certain excise taxes, turn their collection back to the States and relieve the Federal Treasury of the burden of certain aid programs that are properly State responsibilities. The proposal was greeted with stony silence on the part of some States while more than half of them sounded off with an emphatic "No!" This may be symptomatic of a condition which, for lack of a better name, might be called "grant-in-aid narcosis."

The Solution

The whole Federal aid problem is serious, but not without solution. And the solution lies with the Congress itself which must develop within its ranks the statesmanship necessary to turn a deaf ear to local pleas to Uncle Sam to "bail us out." In brief, the Solons will have to tell their constituents to "stand on your own feet, not on those of the Federal Treasury." The prospects for such statesmanship are not bright at this time. In fact, it now would seem that Congress is ready to dish out more and more grants-in-aid.

Undisputed is the fact that the national economy has taken a downward turn. Unemployment is mounting – threatens to go even higher. And unemployment is something which affects election returns. To combat this, the Congress is ready to go "all out" for grants-in-aid as a "pump-priming" measure. In the works–and almost certain of passage – are Bills to expand the highway program, build many flood control and hydroelectric projects, pass out $600 million a year for education, construct hundreds of new Federal buildings across the land, expand Federal help for the unemployed, extend Federal aid into half a dozen other areas of local responsibility. The President has predicted an upturn in the national economy next month. It may come, but it will never be enough to satisfy the demands of an election-minded Congress.

The Fabulous Budget

Earlier in this article it was mentioned that the upcoming budget had set up $6.25 billion as proposed Federal aid to States and municipalities. Later it was developed that other hundreds of millions have been and will be spent on grants-in-aid which have the appearance of self-liquidating projects, primarily in the fields of reclamation and hydroelectric development. If all of these are rightfully made a part of the grant-in-aid or subsidy picture, the sum total may pass $7 billion. Perhaps $10 billion would be more realistic when we consider that Congress–Democrats and Republicans alike–will be lavish in appropriations to make work.

More than 100 years ago–July 1, 1854 to be exact – Abraham Lincoln said:

"The legitimate object of government is to do for the people what needs to be done, but which they cannot by individual effort do at all or do so well for themselves."

Analysis of the entire Federal aid program reveals–that outside of national defense–the states can do better for themselves than is now being done by the Federal government, and at less cost. After all, Uncle Sam puts a 20 cents handling charge on every dollar of Federal aid. It is expedient to minutely inspect the whole Federal aid program, otherwise we might soon find ourselves a Socialist State, directed in every detail by a Washington bureaucracy with but one aim: self-perpetuation. —END

A New Look at Construction Industry Potentials for 1958

(*Continued from page* 747)

in road and school construction. Heavy offerings of new securities have been readily absorbed by investors looking toward the possibility of another decline in money rates. This development points toward a better future for cement producers as well as for manufacturers of structural steel required for bridges, hospitals, postoffices, etc.

New Housing Prospects

In addition to the prospect of more abundant mortgage funds, builders should find encouragement in indications of an aggressive attitude on the part of Washington authorities to stimulate home buying. Relaxation in regulations governing down payments several months ago is believed to have had a favorable psychological effect on sentiment and may have explained in part the recovery noted in housing starts late last year as well as in January. Further steps are under consideration in Washington and these are aimed at simplifying the problem of individuals interested in higher priced dwellings. As an example, the legal limit imposed by present provisions on Federal Housing Administration's insured mortgages is $20,000. Government officials have recommended that the mortgage ceiling be raised to $30,000, so that down payments on dwellings in the range of $30,000 to $40,000 could be substantially reduced if higher mortgages could be arranged.

Steady improvement evidenced in the residential area in recent months has contributed no little to a more confident attitude in Washington. Taking a closer look at the January report issued by the Commerce and Labor Departments, we find that construction put in place approximated $3.3 billion for a seasonably adjusted annual rate of $48.5 billion, compared with actual expenditures of $47.3 billion for calendar 1957. Private construction showed a modest gain, while a record volume of spending for public utilities, office buildings, churches and hospitals was disclosed. In total, outlays for public works recorded a gain of 6 per cent over January last year.

Appropriations for private dwellings dropped only slightly from the initial month of 1957, but on a seasonally adjusted basis housing starts reported for January reached a promising 1.3 million annual level. The 3% decline from January last year was the smallest year-to-year dip since January, 1956, when new construction started its downtrend.

On basis of only a single month's results, it still is too early, of course, to hazard worthwhile projections on the 1958 trend. Regional trends may have accounted

in part for the rather cheerful start and may have reflected favorable conditions in the South and West, where the climate is less influential as a factor in construction than in the North and North Atlantic regions.

In addition, as mentioned earlier, it is premature to reach definite conclusions on the outlook until we have had more time in which to appraise the effect of unemployment in recent weeks on sentiment in the East and Middle West.

Steady Activity Aids Suppliers

In addition to tentative prospects for a continued recovery in residential construction, suppliers of basic raw materials should benefit from a brisk expansion in maintenance and repair projects and even wider gains in public works activities, such as schools and hospitals. Renovation activities usually gain momentum in periods of curtailment in new housing plans. Moreover, the rapid growth of families has spurred home owners into adoption of expansion projects. Many families have been compelled either to add rooms to older houses or to find new homes. The continued emphasis on do-it-yourself activities in the home building field has sparked demand for lumber and other essential materials.

Investment Summary

Summarizing briefly prospects for various segments of the industry, it would seem fair to assume that cement makers probably would fare more successfully this year than in 1957 because of a probable stepup in highway construction and because the cement industry was seriously handicapped last year by protracted labor difficulties and by a burdensome excess of inventories in dealers' hands. Nevertheless, each company's outlook will reflect local conditions only and not the overall national picture.

Prospects for manufacturers of heating and plumbing fixtures as well as of air-conditioning equipment are more uncertain. Keen competition is evident on all sides and indications point to possible distress liquidation of inventories as marginal companies withdraw from the field.

Gypsum producers appear to have improved their position by cutting back production to a basis more nearly in line with consumption than had been experienced early last year. The price structure seems likely to remain steady. Generally similar conditions seem evident in wallboard and asphalt roofing.

Slightly firmer price tendencies have appeared in lumber and plywood, but productive capacity is more than ample to fill requirements and any significant rise in quotations seems out of the question. Manufacturers are keenly aware of the situation and seem likely to strive to keep output as nearly in line with consumer needs as possible. END

The New Regimes in Latin America

(*Continued from page* 743)

Minister for Petroleum and Mines, Perez de la Cova, is almost a guaranty that the country will continue its positive policy towards foreign oil and iron ore investments. For Perez de la Cova, who was petroleum counselor at the Venezuelan embassy in Washington until his appointment, is known to be one of the staunchest advocates of private industrial investment in Latin America.

Venezuela's problem is to diversify its one-industry economy. In 1956, for example, oil made up 94 percent of total exports, 85 percent of the total foreign exchange earned and 70 percent of the total government revenue. Several government and private industry projects are now under way to utilize previously underdeveloped other natural resources. Iron ore mining is an example of this diversification process. In 1957 it produced 15 million tons of ore, a 25 percent increase over 1956. In connection with this, a major project has been the $380 million steel plant at Puerto Ordaz, currently under construction. Its eventual output should exceed 1.2 million tons annually.

All in all, Venezuela continues to be the brightest spot in the United States foreign investment picture in Latin America. Communism had nothing to do with its recent revolution and, although it is now again openly active in Venezuela, its role, so far, seems to be of very limited importance.

MEXICO

Among the potential trouble areas in Latin America is Mexico, which faces a very tumultuous presidential election in 1958.

Mexico's economy has been somewhat affected by the recession in the United States, particularly in regard to its ore exports to its northern neighbor. And further consequences may result from the present decline in United States employment, since it may mean fewer Mexican migrant workers for American agriculture during the coming harvest season.

Mexico's labor unions are not all communistic, but the influential ones amongst them are. The man to watch at this time is Mexico's most powerful labor leader, Vincente Lombardo Toledano, secretary general of the pro-communist Confederation of Latin American Workers, which is trying to organize communist cells throughout the sub-continent from its Mexico City headquarters. Documents showing Toledano's intentions and his Soviet backing have recently come to light in a number of Latin American countries. Toledano has not yet given his support to any Mexican presidential candidate, but whomever he will support can be assumed to have pro-leftist leanings. —END

Where Do Growth Stock Leaders of Yesterday Stand Today?

(*Continued from page* 734)

portant coal regions, as well as access to Chicago, Cincinnati and St. Louis. The road is 100% dieselized. Operating economies have offset, to a great extent, the rising trend of material and wage costs. This trend, accompanied by inadequate rate relief and lower traffic, has adversely affected recent earnings of nearly all railroads. Adjusted for stock splits, earnings of Southern Railway increased from $4.66 per share in 1953 to $5.52 in 1956, and declined moderately to $4.78 in 1957. The annual dividend rate is $2.80 per share. At the current price of about 32, the stock is selling at 6.7 times 1957 earnings and provides a very high yield of 8.8% The recession in general

business may well result in a lower level of earnings for the road than reported for last year. However, the stock should be held by investors willing to assume a moderate risk.

As events crystallize and new developments take place, opportunities will arise for investment in new growth issues, as well as in stocks entering a new phase of growth. As these opportunities emerge, we will call them to your attention in future articles in The Magazine of Wall Street. END

Impact of the Severe Winter on Business and Prices

(*Continued from page* 730)

deepening.

A backward, rainy Spring would be just what we do not want if we are to attain a high level of residential construction this year. The Spring is the peak period for new housing "starts", with the work on the residences continuing for months thereafter.

If adverse weather conditions prevent a high level of housing starts during the Spring, total building activity for the entire year tends to be affected. Builders are likely to hold off if they cannot begin operations early and have houses completed and ready for sale before the beginning of the school year.

Watching the Price Trend

In all probability, the general wholesale price index and the BLS Consumer Price Index still have not reflected fully the impact of adverse weather conditions. On the West Coast, crops of fruits and vegetables have been hurt by excessive rains.

This will help to keep the cost of living high for several months. And, high prices in the face of contraction of disposable income may tend to accelerate the business recession.

It is quite easy for business men and investors to be lulled into a sense of false security by the strength in the general commodity price level. For, very few appreciate that the very factor that has been contributing most of the strength, i.e., exceptionally unfavorable weather conditions, has caused untold economic loss at a critical period.

The Bureau of Labor Statistics wholesale price index, based on some 2,000 commodities, has three major groups: farm products, foods, and commodities other than farm products and foods. This third group often is called "industrial commodities".

Significantly, this last index has declined a little during the past few months, while the indices of farm products and foods have risen more than enough to offset the decline.

Prices of industrial raw materials have been in a tailspin, with the extremely important nonferrous metals leading the way. It is a matter of historical record that, time and time again, the action of nonferrous metals has foretold the course of the economy both on upswings and downswings.

World Price Trends

In the period ahead, it will be important to watch commodity price developments abroad as well as here, de-emphasizing such strength as is shown in farm products and foods.

Comprehensive wholesale price indices abroad have shown signs of easiness in recent months, in contrast with continued strength in our wholesale price index. The deflationary price action, which we ordinarily associate with business slowdown, is more evident abroad than here.

Reuters United Kingdom index, which is a sensitive index very similar to the sensitive indices compiled here, recently has displayed considerable weakness, dipping to the lowest level since 1949. Reuters index is considered to be a much better measure of world trends than our sensitive indices which often, as recently, are affected by local conditions.

Sensitive price indices tend to forecast the trend of the general commodity price level. And, the price level here in the United States for many years has followed rather closely the trends in world prices. —END

For Profit and Income

(*Continued from page* 755)

Natural Gas

Due mainly to miserable February weather in much of the country, 1958 is off to a cold first-quarter start. This is favorable, so far as it goes, to natural gas distributors. Aside from higher costs, they were hurt last year by a mild February—enough so to affect full-year earnings in many instances where February mildness was not offset by abnormal cold during the rest of the two 1957 heating-season periods. Outside of the south, southwest and much of the west coast, home-heating furnaces generally function into early May; and are started up again in late September or early October. So there is is more 1958 heating-season weather ahead than is behind, although the normally-coldest period of the year (January through the third March week) is nearly over. Thus, as regards the influence of cold, normal or mild heating-season weather on gas-company earnings, nobody can now figure what the reckoning might be as of next December 31. However, the "odds" are favorable, for it would take mild later weather to cancel the gain now in hand, whereas normal weather would mean retention of it and cold weather would add to it. Bear in mind that it has not been a cold winter for the Pacific Coast areas. Among eastern gas distributors, some of the better stocks for income purposes are Brooklyn Union Gas at 39, yielding 5.1% on a $2 dividend; Columbia Gas at 17, yielding 5.9% on a $1 dividend; Consolidated Natural Gas at 43, yielding nearly 4.7% on a $2 dividend; and Equitable Gas around 29, yielding 5.5% on a $1.60 dividend. Among these, the stock of Consolidated offers the highest quality because of the company's conservative capitalization, with a low debt ratio.

Electric Utilities

The power companies get some benefit from abnormally cold weather, via more current used in radiant electric heating, in supplementary electric heaters and in motors and/or controls on gas or oil furnaces. They also benefit from hot weather via use of air conditioners, fans, ventilators, etc. With markets more diversified, costs under somewhat better control, rate problems generally less troublesome and dividend growth somewhat superior on an over-all basis, the average electric power stock is a better long-term investment than the average nat-

ural gas stock. That is why yields on the latter are higher, on the whole, than on power stocks.

Drugs

A further 1958 gain in the area of 5% to 10% in earnings of most drug makers seems a reasonable tentative forecast at this time. That would be considerably less than the average 1957 gain, but a good showing in comparison with recession-reduced profits in the vast majority of other manufacturing industries. Drug stocks have had large advances, but they are not extremely priced, on average, when allowance is made for promising long-term growth prospects. To cite two examples: Parke, Davis might net around $6 a share this year, against $5.67 last year; and pay $3.25 on the basis of past dividend policy. On this projection the stock, around 67 in a 1957-1958 range of 68½-42⅜, is priced around 11 times earnings to yield nearly 5%. Finances are strong. There is nothing ahead of the common stock. With the company among the largest and most diversified in the growing ethical drug field, the issue remains reasonably priced.

Pfizer

For some time this well-rounded company has been showing both more consistent and faster growth of earnings than the average drug producer. Profit, at $4.22 a share, almost doubled in five years through 1957, with dividends substantially keeping pace. Net around $4.60 a share seems possible for 1958, which could permit dividends as much as $2.40. The stock is around 59 in a 1957-1958 range of 65½-42¾. On the tentative projections, the price-earnings ratio is around 12.8, the potential yield slightly over 4%. The stock customarily sells on a somewhat higher price-earnings ratio and lower yield than the average drug equity or than Parke, Davis. It is suitable for longer-term investment buying at this level.

Keeping Abreast of Corporate Developments

(*Continued from page* 764)

farm feeds.

Radiation Application, known as RAI, is active in atomic energy, chemicals, metallurgy and aerosol technology. It does consulting and research and development work for industrial companies, as well as for the Atomic Energy Commission and other Government agencies.

Boeing Airplane Co. expects net income in 1958 to exceed the 1957 level, with sales about the same as the 1957 total of about $1,500,000,000. Boeing Airplane said 1957 profit margins were reduced by a number of factors which should also affect 1958 earnings. These include higher write-offs on commercial jet program, increased interest and higher amortization charges on new facilities and recent changes in Government procurement policies. In 1957, $15 million was written off on commercial airliner program and more may be written off on it in 1958. Boeing expects to spend between $25 million and $30 million for new facilities in 1958. Such spending for 1957 totalled about $48 million.

J. I. Case Co., according to press reports, is arranging to buy control of a French company. J. I. Case states growth will necessitate additional financing by late 1958 or early 1959. In last six months bank credit lines have been increased by about $35 million. —END

Answers to Inquiries

(*Continued from page* 762)

In 1957 they amounted to $2.25 per share, the same as in 1956 and $2.00 per share was paid in 1955.

Each of the three established divisions of the Gillette Co. in the U. S. introduced new products in 1957—the Gillette adjustable razor by the Gillette Safety Razor Co.; a new White Rain crystal-clear shampoo, Hush cream deodorant and Adorn, a self-styling hair spray, by the Toni Co.; and the Ninety-Eight, a new ballpoint pen by the Paper Mate Co.

Net sales were fractionally lower than 1956 despite moderate price increases of certain products. The decrease in sales, coupled with increased operating costs, resulted in lower per-share earnings than those for the two previous years. The company saw no evidence of any loss of competitive position.

"The loss in sales volume and reduction of net profit occurred principally in the U. S. market. The Toni Division, although maintaining its competitive position, was adversely affected by an industry-wide shrinkage of the home permanent wave market due largely to changing hair styles. The Safety Razor Division was affected by a substantial correction and adjustment of trade inventories, although consumer purchases of blades were at high levels. Foreign operations continue to be highly successful and to make a major contribution to net profits.

The company has continued in a strong cash position despite the decrease in earnings.

A further step in diversification of the Gillette Co. was the establishment in 1957 of a new proprietary drug division, Gillette Laboratories. National distribution of the first product of the division, Thorexin, a new cough remedy, was in process at the end of the year. Advertising of the product commenced early in January.

In order to increase the efficiency of its operations, the company's plant expansion and improvement program continued through 1957. A new factory in Australia for the manufacture of Gillette and Toni products was completed during the year and the Paper Mate Manufacturing Co. consolidated its California operations at a new plant in Santa Monica, California, occupied under a long term lease. In addition, expansion of facilities continued in England, Boston and Chicago and to a lesser extent in several other company locations.

Eaton Manufacturing Co.

"Please report recent operating results of Eaton Manufacturing Co. and indicate dividend payments."

S. E., Evanston, Illinois

Eaton Manufacturing Co. is a strong and well integrated auto parts manufacturer. It produces a wide range of products for the aircraft and auto industries. It has developed a new magnetic clutch. Original equipment for autos, trucks, tractors represent the bulk of the business with replacement sales only a moderate part of the total.

Sales volume of Eaton Manufacturing for 1957 amounted to

$221,844,339 and this compared with the record high of $227,196,703 for 1956.

Net income of this large producer of automotive, aircraft and industrial parts and components totalled $11,067,720 in 1957, equal to $6.02 a share on the 1,838,044 shares of capital stock outstanding, as compared with net income of $12,980,828 or $7.06 per share, in the preceding year.

The relatively greater decline in net profits than in sales was due mainly to significant increases in prices paid for raw materials, supplies, and wages, including the cost of fringe benefits, and in freight rates.

Continuous efforts were made to pass on these higher costs in the selling prices consistent with competition, and to institute economies and improvements in manufacturing efficiency, "but these efforts were not enough to prevent this encroachment of costs on profits."

The company's capital expenditures for plants and equipment in 1957 amounted to $11,409,540 compared with $11,711,382 in 1956. It is anticipated that such expenditures in 1958 will decline to or below the amount of depreciation.

The potential for the company's automotive air conditioning systems and components in 1958 and 1959 "is just as promising as in the past two years." Sales of these units increased substantially during 1957.

Through its Axle Division, a greatly improved tandem axle was perfected last year, which was introduced for the first time in January, 1958 in trucks of a leading manufacturer.

Among other products introduced in 1957 was a new hydraulic pump with certain original features. This pump meets the automobile industry's requirements for present-day power steering systems and it has structural features that make it adoptable for other uses which are being developed. The demand for power steering is growing steadily each year and Eaton anticipates it will continue to be an important factor in this expanding market.

Dividends of $3.00 per share were paid in 1957 and 75 cents was paid in the first quarter of the current year. This stock has been a fairly reliable income issue.

END

Interesting Appraisal of Market Trend

(*Continued from page* 727)

rain, we have cloudy weather of some duration – for example, 32 months from October, 1946, to June, 1949, with the industrial average in a range of little over 18% from low to high. Its range since last October has so far been little over 9%. It might not be greatly widened in 1958. Hold to a conservative, selective policy as heretofore advised. – Monday, March 10.

BOOK REVIEW

How to Buy Stocks

A Guide to Making Money in the Market

By LOUIS ENGEL

This is a guide to successful investing.

There is money to be made in stocks and bonds—by those who know the all-important facts. How much do you know?

Take the financial page of your newspaper. How much of what is printed there every day do you really understand?

Do you know the basic indexes of business activity? Can you tell "what the market is doing"? Are you stopped by terms like *short interest, stock rights, open-end trust, over the counter, debenture?*

Here's a book that translates the language of Wall Street into everyday terms.

It's written by a man who is a partner in one of the country's most successful investment firms, a man who has spent a large part of his career helping people understand stocks and bonds. And before he came to Wall Street, Louis Engel was for ten years managing editor of *Business Week*.

Consequently, he writes not only with authority but with real understanding of the things most people need to know about successful investment.

This new and enlarged edition of HOW TO BUY STOCKS answers al the important questions, from the most basic fundamentals up to the fine points which can stump even the experts. It tells what stocks are, how you buy them, what a broker does, where you can get financial advice tailored to your needs and how much you will have to pay for it, how the stock exchange works, how to choose stocks best suited to your circumstances, and what pitfalls to watch out for.

It's a basic book about that basic problem of making money—written in plain English. As J. K. Lasser said, "It takes the whole story of investing and translates it from the usual financial jargon into words that anybody can understand."

Little, Brown $3.50

The Magazine of Wall Street's

COMMON STOCK INDEX

1958 Grouping of the 300 Component Issues

H—Component of the 100 HIGH PRICED STOCK Group
L—Component of the 100 LOW PRICED STOCK Group

4—AGRICULTURAL IMPLEMENTS
Deere
Int. Harvester
L—Minn.-Moline
L—Oliver

3—AIR CONDITIONING
Carrier
L—Fedders-Quigan
H—Trane Co.

9—AIRCRAFT
H—Boeing
Curtiss-Wright
H—Douglas
H—General Dynamics
Lockheed
Martin
No. Amer. Aviation
Republic Aviation
H—United Aircraft

7—AIRLINES
L—Am. Air Lines
L—Braniff
Eastern Air Lines
L—Northwest Air Lines
L—Pan American
L—Trans-World
United Airlines

4—ALUMINUM
H—Aluminum Co. Amer.
Aluminum Ltd.
Kaiser
H—Reynolds Metals

6—AMUSEMENTS
L—Am. Broadc. Par.
L—Loew's
Paramount Pictures
L—Republic Pictures
20th Century Fox
L—Warner Bros.

8—AUTO ACCESSORIES
H—Bendix Aviation
Borg Warner
L—Budd Co.
Elec. Auto-Lite
Elec. Storage Batt.
L—Houdaille Inds.
Rockwell Spring
Stewart Warner

7—AUTOMOBILES
L—Amer. Motors
H—Chrysler
H—Ford Motor
H—General Motors
L—Mack
L—Studebaker-Packard
White

4—BAKING
Amer. Bakeries
Continental
L—General Baking
H—Nat. Biscuit

4—BUSINESS MACHINES
Burroughs
H—IBM
H—Nat. Cash
L—Sperry Rand

6—CHEMICALS
H—Air Reduction
H—Allied Chem.
H—Amer. Cyanamid
L—Comm. Solvents
H—Du Pont
H—Union Carbide

5—COAL MINING
L—Lehigh C. & N.
L—Lehigh Valley Coal
L—Peabody Coal
Phila. & Rdg. C. & I.
H—Pittsburgh Cons.

4—COMMUNICATION
L—Am. Cable & Radio
H—Amer. Tel. & Tel.
Int. Tel. & Tel.
L—Western Union

10—CONSTRUCTION
L—Am. Radiator
H—Bestwall Gypsum
L—Certain-teed
Crane
Flintkote
H—Johns-Manville
Lone Star Cement
H—Nat. Gypsum
H—Otis Elevator
L—Walworth

6—CONTAINER
H—Am. Can
L—Container Corp.
H—Cont. Can
L—Crown Cork
L—Nat. Can
H—Owens- Ill. Glass

7—COPPER MINING
H—Anaconda
L—Calumet & Hecla
L—Cons. Copper
Inspiration
H—Kennecott
Miami
H—Phelps Dodge

2—DAIRY PRODUCTS
H—Borden
National Dairy

6—DEPARTMENT STORES
H—Allied Stores
Associated Dry Goods
H—Federated
L—Gimbel Bros.
Macy
Marshall Field

5—DRUGS—ETHICAL
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Merck
H—Parke Davis
H—Pfizer
Schering

6—ELECTRICAL EQUIPMENT
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H—Cutler Hammer
Emerson Elec.
H—General Electric
Square D
H—Westinghouse Elec.

2—FINANCE COMPANIES
H—C. I. T. Financial
H—Commercial Credit

6—FOOD BRANDS
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Corn Products
H—Gen. Foods
L—Libby McNeill
H—Stand. Brands
L—Stokeley-Van Camp

3—FOOD STORES
H—Food Fair
H—Kroger
Safeway

5—GOLD MINING
L—Benguet
L—Campbell Red Lake
L—Dome Mines
L—Giant Yk.
H—Homestake

4—INVESTMENT TRUSTS
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L—Atlas Corp.
Lehman Corp.
Tri-Continental

3—LIQUOR
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L—Schenley

8—MACHINERY
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H—Babcock & Wilcox
Blaw Knox
Bucyrus-Erie
H—Caterpillar
Fairbanks Morse
Foster Wheeler
H—Worthington Corp.

3—MAIL ORDER
H—Montgomery Ward
Sears Roebuck
L—Spiegel

4—MEAT PACKING
L—Armour
L Cudahy
Swift & Co.
L—Wilson

5—METAL FABRICATING
Bridgeport Brass
General Cable
Mueller Brass
Revere
Scovill

9—METALS, MISCELLANEOUS
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Am. Smelting
L—Am. Zinc
L—Callahan Zinc
H—Int. Nickel
L—Pacific Tin
St. Jos. Lead
L—Sunshine Mining
Vanadium

4—PAPER
H—Crown Zellerbach
H—Int. Paper
St. Regis
H—Union Bag

20—PETROLEUM
Atlantic Refining
H—Cities Service
H—Continent. Oil
H—Gulf Oil
Ohio Oil
H—Phillips Pet.
Plymouth Oil
H—Pure Oil
H—Richfield
Royal Dutch
H—Shell Oil
Sinclair
H—Socony
H—Stand. Oil Calif.
Stand. Oil Ind.
H—Stand. Oil N. J.
Stand. Oil Ohio
L—Sunray-Midcontinent
H—Texas Co.
Tide Water Assoc.

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H—Cent. & S. W.
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L—Columbia Gas
Commonwealth Ed.
H—Consol. Edison
H—Consumers Pr.
Detroit Ed.
L—L. I. Lighting
Middle So. Utils.
L—New Eng. El. Sys.
Niag. Mohawk Pr.
L—Northern States Pr.
H—Pac. Gas & Elec.
Penn. Pr. & Lt.
Phila. Elec.
Pub. Ser. E. & G.
L—South Carolina E. & G.
H—Southern Calif. Ed.
L—Southern Co.

7—RAIL EQUIPMENT
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Am. Steel Foundries
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H—Pullman
L—Symington-Gould
L—Westinghouse Air Brake

20—RAILROADS
L—Atchison
H—Atlantic Coast
B. & O.
H—C. & O.
L—Chi. Milw. St. P. & P.
D. & H.
L—D. L. & W.
L—Erie
H—Gt. Northern
H—Ill. Central
H—Kansas City So.
L—Lehigh Valley
L—N. Y. Central
H—North. Pac.
L—Penn. R. R.
L—St. L.-San Fran.
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H—So. Pac.
H—So. Ry.
Union Pacific

3—SOFT DRINKS
L—Canada Dry
H—Coca-Cola
L—Pepsi-Cola

12—STEEL & IRON
Alleg. Ludlum
H—Armco
H—Beth. Steel
L—Colo. Fuel & Iron
L—Detroit Steel
H—Inland Steel
L—Interlake
Jones & Laughlin
H—Nat. Steel
H—Republic Steel
H—U. S. Steel
H—Youngstown Sheet

4—SUGAR
L—Cuban-American
Great Western
L—Vertientes-Camaguey
H—West Indies

2—SULPHUR
H—Freeport
Texas Gulf

10—TELEVISION & ELECTRONICS
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L—Gen. Instrument
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H—Motorola
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5—TEXTILES
Am. Viscose
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L—Celanese
L—Textron
L—United Merchants

3—TIRE & RUBBER
H—Goodrich
H—Goodyear
U. S. Rubber

5—TOBACCO
H—Am. Tobacco
H—Liggett & Myers
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H—Reynolds Tob. "B"

2—VARIETY STORES
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H—Woolworth

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L—Continental Motors
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H—Eastman Kodak
L—Fawick Corp.
L—Gen. Am. Inds.
L—Greyhound
L—Heyden-Newport
L—Pitts. Screw
H—Procter & Gamble
L—Ranco
L—Rexall Drug
H—United Fruit
L—United Industrial
L—U. S. Inds.
L—United Whelan


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